

CITY OF GARDEN GROVE, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2016 -
JUNE 30, 2017



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City of Garden Grove, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

June 30, 2017

Department of Finance

Kingsley Okereke

Assistant City Manager / Finance Director

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Introductory Section

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**CITY OF GARDEN GROVE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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CITY OF GARDEN GROVE

Steven R. Jones
Mayor
Phat Bui
Mayor Pro Tem – District 4
Kris Beard
Council Member – District 1
John R. O'Neill
Council Member – District 2
Thu-Ha Nguyen
Council Member – District 3
Stephanie Klopfenstein
Council Member – District 5
Kim B. Nguyen
Council Member – District 6

December 15, 2017

Honorable Mayor and City Council
City of Garden Grove, California

Transmitted through the City Manager

Honorable Mayor and Council:

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Garden Grove, California, (the "City"), for the fiscal year (FY) ended June 30, 2017. Responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To accomplish this, City Management designed and established internal controls which provide reasonable, but not absolute, assurance as to the effectiveness and efficiency of its operations, reliability of its financial reporting, and its compliance with applicable laws and regulations. Cost benefit considerations are weighed in meeting reasonable assurance objectives.

We believe the data, as presented, is accurate in all material respects and is presented in a manner which fairly represents the financial position and changes in financial position of the City as measured by the financial activity of its governmental activities, business type activities, each major fund, the remaining aggregate fund information, and the Private Purpose Trust fund. We also believe that all disclosures necessary to enable the reader to fully understand the City's financial activities have been presented. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) and include the unmodified opinion of Davis Farr LLP, independent auditors for the City of Garden Grove. The Independent Auditor's Report is presented as the first component of the financial section of this report.

The City of Garden Grove's independent audit is an element of a more comprehensive, federally mandated "Single Audit", which has been established to meet the requirements of federal grantor agencies. The audit is also designed to meet the requirements of the Office of Management and Budget Uniform Guidance related to the City's major program expenditures of federal funds. Governmental Auditing Standards require the independent auditor to

The Honorable Mayor and Council
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report on the audited government's internal controls over financial reporting and compliance with legal requirements in addition to compliance with federal grant awards. Reporting these requirements, as well as the fair presentation of the financial statements, are duties required of the independent auditor. The Single Audit report is available, as a separately issued report, upon request to the City Clerk's Office.

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

Profile of the City of Garden Grove

The City of Garden Grove is located in central Orange County approximately twenty-five miles southeast of downtown Los Angeles with a population of approximately 176,277. It is the fifth largest city in Orange County and the twenty-eighth largest in the State of California. The City incorporated on June 18, 1956. During the late 1950's and the 1960's, Garden Grove experienced rapid growth as a significant segment of the population and suburban development moved from Los Angeles County to Orange County. In the 1970's the initial construction boom was completed and redevelopment was actively pursued with efforts continuing through the 1980's and 1990's and into the 2000's. There has been significant benefit from quality construction projects and an improved economic base as a result of these activities.

The City spans an area of 17.9 square miles and is a general law city in the State of California. It has a Council-Manager form of government. On May 10, 2016, the City of Garden Grove adopted Ordinance No. 2866 changing the City's at-large system of electing City Council Members to a By-District Election system and establishing the boundary lines of the six districts. While the Mayor continues to be elected at-large for a two-year term, the six City Council members are now elected by districts for four-year staggered terms. The City Council engages the City Manager and City Attorney. The City Manager has the responsibility for hiring the department heads and for administering the City's programs in accordance with the policies adopted by the City Council.

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

Financing Authority. Additional information is available on these blended component units in note A.1.a - c, in the notes to basic financial statements.

A key element of the City's financial management process is the development and approval of an annual budget. Garden Grove Municipal Code requires the City Manager to prepare and submit the proposed budget and salary plan to the City Council for approval. The City Council conducts various public budget review sessions, as necessary, and adopts the budget at a noticed public hearing. The adopted budget is prepared pursuant to generally accepted accounting principles (GAAP) and is balanced by fund. The City Council thus controls appropriations at the fund level. The City Manager is authorized to transfer appropriations within a fund between the various programs and/or departments. Budgetary control is maintained by a monthly financial reporting system. Unspent appropriations lapse at year-end unless specifically approved for carry-over to the subsequent year by resolution of the City Council. Effective FY 17-18, the City will transition from an annual budget to adoption of "biennial" budget.

Factors Affecting Financial Condition

Local Economy and Economic Outlook

Recent data show Orange County economy as strong and growing, with low unemployment rate of 3.7 percent and payrolls expanding at a modest rate. Construction was the fastest growing sector in the County in 2016 but tapered in 2017. Leisure and hospitality sectors which includes hotels and restaurants continues to perform robustly. Overall, there appears to be real optimism about local business conditions, companies' growth, and the health of the local economy.

Given the improved economy, the City's financial outlook is optimistic with modest revenue growth expectations. The City's four largest revenue sources: transient occupancy tax (TOT), sales tax, property tax, and motor vehicle tax are expected to grow consistent with the improving local economy. The City is also working to actualize two major Disposition and Development agreements that will add additional major hotel brands and rooms in the Harbor Resort corridor over the next few years. Both developments are expected to generate significant property tax, sales tax and TOT revenues to the City.

However, there are real concerns relative to rising labor costs and unfunded pension liability requirements. The improved economy and resulting low unemployment rate are expected to drive up labor costs, hence budget challenges for the City. Also, increasing pensions costs particularly unfunded liability requirements presents serious future budget challenges for the City. In December 2016, the CalPERS Board of Administration voted to modify their mortality and other actuarial assumptions including lowering the discount rate

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from 7.5 percent to 7.0 percent over three years. These changes are effective beginning FY 17/18, and will result in significant increases in required employer contributions for pension normal costs and unfunded liability.

Long-Term Financial Planning

For financial planning purposes, the City maintains a comprehensive citywide Five-Year Financial Forecast and Plan.

Five-Year Operating Plan

In accordance with the provisions of the City of Garden Grove Municipal Code, a five-year forecast covering operating revenue and expenditures, labor usage, sources, and uses of funds is prepared annually based on national and local economic assumptions.

Five-Year Capital Plan

The City of Garden Grove is responsible for the planning and operation of capital improvements that lie within the public right-of-way. These improvements include streets, traffic signals and control devices, storm drains, streetlights, parks, sewer, and water systems. In addition, the City must develop and maintain its own buildings and infrastructure. The five-year capital plan outlines the City's capital improvement requirements along with projected funding sources. The plan is updated annually. The Capital Improvement Program (CIP) identifies the major public improvements to the City's infrastructure over the next five years. The primary funding sources for capital projects are restricted revenue funds for street rehabilitation, grants, the General fund, and Enterprise funds such as the Water and Sewer funds. The Special Revenue funds are legally restricted to a specific purpose, namely the Gas Tax fund and Measure M fund, which limit expenditures to street and transportation improvements only. A new funding source in the CIP is the State's new Road Recovery and Accountability Act (SB1) which will provide the City with new funding for street repairs and other roadway projects starting in FY 17/18.

Two-Year Budget

The City implemented a two-year budget (biennial budget) beginning with the FY 17/18 through FY 18/19. A two-year budget allows for a longer planning horizon, enabling the City to allocate resources two-years at a time and reducing the time it takes to produce, review, and approve a budget each year.

Major Initiatives

Employee Development

The City continues to invest in developing its managers and staff by providing employee training and development opportunities that enhance employee skills, knowledge, and organizational effectiveness. These programs include: supervisory and leadership workshops; ethics, writing, public speaking, and computer trainings; as well as a variety of job specific trainings and educational seminars. These training programs have allowed the City to foster an environment in which it provides efficient and quality services and improved performance while maintaining a smaller staff.

Preparing Today for a Better Future

The City continues its efforts to improve the quality of life of its citizens via capital improvements, economic development, and societal assistance.

Capital Improvements in Infrastructure

The City continues the implementation of the Water Master Plan. Several projects were completed during the year including: the Pressure Reduce Valve and OC-Interconnect Facilities Rehabilitation Project, the design of the Magnolia Concrete Reservoir Rehabilitation Project, and the Ward Street Fire Flow Water Improvements. Additional improvements were made to the system via planned replacement of fire hydrants, gate valves, and meters. The completion of the water capital projects will allow the City to continue providing quality water services.

Consistent with the Sewer System Management Plan, several sewer main line improvements were made on the following streets: Nutwood Street between Malma Circle and Garden Grove Boulevard, Imperial Avenue between Magnolia Street and Vaughn Lane, and Central Avenue between Magnolia Street and Casa Linda Lane. Additionally, the design of the sewer capital improvement projects on Ward Street, Newland Street, Josephine Street, Trask Avenue, Stanford Avenue, and Westminster Avenue were completed during the year. The manhole inspection program is ongoing coupled with the planned replacement of sewer main defects throughout the City. The continued sewer improvement capital projects will help the City replace aging or obsolete systems and meet new regulatory requirements.

Various arterial streets capital improvement projects, funded through various grants and local revenues, were completed during the fiscal year. They include the following improvements: Knott Street Rehabilitation, from Garden Grove Boulevard to Lampson Avenue; Valley View Street Rehabilitation, from State Route 22 to Tiffany Avenue; Magnolia Street Irrigation Retrofit, from Westminster Avenue to Trask Avenue and from Lampson Avenue to Chapman

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Avenue; Lampson Storm Drain Improvements, and Rancho Way Alley Drainage Improvements. The completion of these projects will increase safety for pedestrians, improve drainage for the community, and enhance the city's overall beautification.

Brookhurst Triangle is a development project consisting of 700 residential units with up to 200,000 square feet of retail/dining/entertainment use. Phase I is comprised of a 200-unit apartment and ancillary clubhouse with swimming pool and is anticipated to be completed in March 2018. Phase II of the project, which will include an apartment complex with approximately 500 residential units and other mixed uses, will follow shortly after the completion of Phase I.

The Garden Grove City Council unanimously approved a SteelCraft eatery location in the downtown Civic Center area. SteelCraft Garden Grove is an outdoor urban eatery built from repurposed shipping containers and will house craft food, coffee, wine, beer, dessert, and retail spaces. Construction is expected to be completed in summer 2018.

The Cottage Industries project involves 15 properties that are located along 7th, 8th, and 9th streets, Acacia Parkway, and Garden Grove Boulevard in the Civic Center area. These properties will be repurposed for retail, office, café, and market space. LAB Holding LLC, the developer, will restore existing residential structures and emphasize providing space for local vendors. Construction is expected to be completed in 2019.

The City is working with selected developers to bring to fruition two major Disposition and Development Agreements (DDA) for Site C and Site B that will add additional major hotel brands in the Harbor Resort corridor. The Site C DDA contemplates a development of hotel campus with up to 769 new hotel rooms, 39,000 square feet of conference space and 45,000 square feet of commercial space. The Site B2 agreement envisions a development of three full service hotels, a 1,227 space parking structure, 40,000 square feet conference space, a 37,000 square feet restaurant and retail space.

The City is committed to providing programs and services designed to improve neighborhoods with support from the Neighborhood Improvement and Conservation Commission and funding from the federal and state government. Such funding includes Community Development Block Grant, HOME Investment Partnerships Program, and Emergency Solutions Grants. Through a partnership with the Garden Grove United Methodist Church, Jamboree, the developer, entered into 60-year ground lease to build Wesley Village, completed in June 2017, which includes a multi-family affordable housing and senior apartment building for low-income families and a Head Start learning center.

Furthermore, the Garden Grove Housing Authority which operates under federal grants received from the Department of Housing and Urban Development, provides rental subsidies to low-income families. The Section 8 program assists

over 2,220 families with their monthly rent. The City is committed to providing these programs and services designed to improve Garden Grove neighborhoods and increase housing options for low-income families and individuals.

Financial Policies

The City maintains financial policies over various programs and activities:

Enterprise Fund Business Principles

The City maintains a set of business principles for managing its enterprise fund operations. These principles are to ensure the funds break even and operate efficiently, maintain two months cash flow and \$500,000 in reserves for contingencies, approach 5% of system value for replacement sinking funds, and maintain system and facilities up to industry standards by adequately funding new Capital Improvement Programs.

Investment Policy

The City maintains an investment policy that is updated annually and reviewed and approved by the City Council. The City's investment objectives as outlined in the policy are in the following order: safety of principal, liquidity, and yield. To meet these objectives, the City attempts to obtain the highest yield on its investments consistent with the preservation of principal and liquidity. The yield benchmark for the City is the 6-month Treasury bill as listed in the Money Rates section of the Wall Street Journal.

Purchasing Policy

The purpose for the City's centralized purchasing policy is to procure needed supplies, services, and equipment at the utmost quality, within the required time, and at the best price for the City, in a manner consistent with legal requirements, good business practice, and proper fiscal control. The goal is to serve the public with integrity while maximizing the value of the tax dollar.

Debt Management Policy

On January 24, 2017, the City Council adopted a debt management policy in compliance with Senate Bill (SB) 1029 to improve financial transparency about public debt. The objective of the debt policy is to achieve sound administration of City debt by minimizing debt service and issuance costs, maintaining the highest reasonable credit rating, and ensuring complete financial disclosure and compliance with state and federal laws.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Garden Grove for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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



Kingsley Okereke
Assistant City Manager / Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

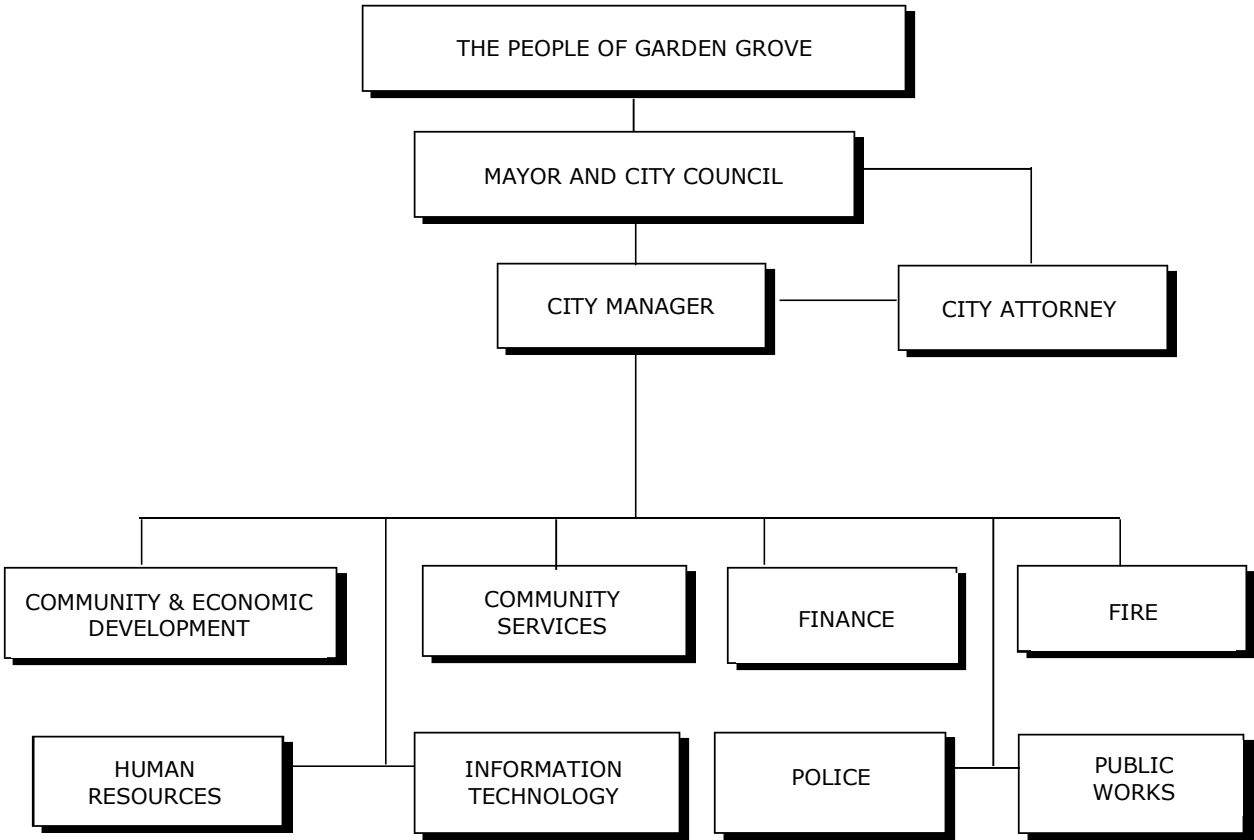
**City of Garden Grove
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

CITY OF GARDEN GROVE



CITY OF GARDEN GROVE

CITY COUNCIL

Steven R. Jones
Mayor

Phat Bui
Mayor Pro Tem – District 4

Kris Beard
Council Member – District 1

John R. O’Neill
Council Member – District 2

Thu-Ha Nguyen
Council Member – District 3

Stephanie Klopfenstein
Council Member – District 5

Kim B. Nguyen
Council Member – District 6

CITY OFFICIALS

Scott C. Stiles
City Manager

Omar Sandoval
City Attorney

Charles Kalil
Information Technology Director

Kim Huy
Community Services Director

Laura Stover
Human Resources Director

William Murray
Public Works Director

Todd Elgin
Police Chief

Kingsley Okereke
Assistant City Manager/Finance Director

Tom Schultz
Fire Chief

Lisa Kim
Community and Economic Development Director

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Financial Section

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To the City Council
City of Garden Grove, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garden Grove, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Garden Grove, California, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2017 reflect certain prior period adjustments as described further in note 17 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions and Schedule of Funding Progress – Other Post-Employment Benefits Plan* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *combining and individual nonmajor fund financial statements, the introductory section and the statistical section, budgetary comparison schedules, and statistical sections* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual nonmajor fund financial statements* and the *budgetary comparison schedules* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements* and the *budgetary comparison schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of the City of Garden Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Garden Grove's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "David Fan CP". The signature is written in a cursive, flowing style.

December 15, 2017
Irvine, California

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Garden Grove (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The assets and deferred outflow of resources of the City, including all component units, exceeded its liabilities and deferred inflow of resources at June 30, 2017, by \$716.6 million (net position). As of June 30, 2017, the City has total net assets of \$1,056.1 million comprising of \$254.5 in current and other assets and \$801.6 million in capital assets net of accumulated depreciation. Total liabilities plus deferred inflows of resources for the same period totaled \$390.4 million, resulting in the net position of \$716.6 million. Of the \$1,056.1 million of assets, \$24.6 million is restricted for specific purpose and \$750.4 million represents net investment in capital assets. Hence, the result is unrestricted negative balance of \$58.4 million. See City of Garden Grove, Net Position table on page 8.

OVERVIEW OF THE FINANCIAL STATEMENTS

These discussions and analyses are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) trust fund financial statements, and 4) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include Fire, Police, Traffic Safety, Public Right of Way, Drainage, Community Buildings, Community Services, Economic Development, Parks and Greenbelts, Community Planning and Development, and Municipal Support. The business-type activities of the City include Water Utility, Sewage Collection, Solid Waste Disposal, and Housing Authority operations.

The government-wide financial statements can be found immediately following this discussion and analysis on pages 13-15 of this report.

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

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

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

The City maintains various individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and the HOME grant special revenue fund, both of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Generally, the City adopts an annual appropriated budget for all of its funds. Budgetary comparison statements have been provided for the general fund and

HOME grant special revenue fund as required supplementary information, and for all other governmental funds in other supplementary information, to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds. The City maintains four different types of proprietary (enterprise) funds. These enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water Utility, Sewage Collection, Solid Waste Disposal, and Housing Authority operations. All are considered to be major funds of the City.

The City also uses internal service funds to account for its Workers' Compensation, Fleet Management, Employee Benefits, Information Systems, Warehouse Operations, Telephone System, Risk Management and Communication Replacement. All of the internal service funds provide services that predominantly benefit governmental rather than business-type functions. Therefore, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20-27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one type of fiduciary fund; a private-purpose trust fund to account for the Successor Agency activities. The City elected to become the Successor Agency to the Garden Grove Agency for Community Development (Successor Agency). The fund is used to report resources held in trust until they are distributed to other units of the state and local government or used to pay enforceable obligations in existence at the date of dissolution of the Garden Grove Redevelopment Agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The Successor Agency will cease to exist when all enforceable obligations of the former Redevelopment Agency have been paid in full and all assets have been liquidated.

The fiduciary fund financial statements can be found on pages 28-29 of this report.

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

The notes to basic financial statements can be found on pages 31-76 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 77-85 of this report.

The combining statements referred to earlier, in connection with nonmajor governmental funds and internal service funds, are presented immediately following the budgetary comparison reports. Combining and individual fund statements and schedules can be found on pages 87-121 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Increases or decreases in net position over time may serve as a useful indicator of a government's financial position. In the case of the City of Garden Grove, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$716.6 million at the close of the current fiscal year. Governmental activities net position decreased by \$5.5 million and business-type activities net position increased by \$3.2 million. The combined effect of the governmental and business-type net position is an overall decrease of \$2.3 million compared to the prior fiscal year.

City of Garden Grove, Net Position (in millions)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 194.4	\$ 188.9	\$ 60.1	\$ 55.7	\$ 254.5	\$ 244.6
Capital assets	648.9	661.9	152.7	155.2	801.6	817.1
Total assets	<u>843.3</u>	<u>850.8</u>	<u>212.8</u>	<u>210.9</u>	<u>1,056.1</u>	<u>1,061.7</u>
Deferred outflow of resources	45.2	15.9	5.7	2.0	50.9	17.9
Long-term liabilities	286.8	243.7	60.3	60.9	347.1	304.6
Other liabilities	25.1	31.8	9.5	6.8	34.6	38.6
Total liabilities	<u>311.9</u>	<u>275.5</u>	<u>69.8</u>	<u>67.7</u>	<u>381.7</u>	<u>343.2</u>
Deferred inflow of resources	6.7	15.8	2.0	1.7	8.7	17.5
Net position	<u>\$ 569.9</u>	<u>\$ 575.4</u>	<u>\$ 146.7</u>	<u>\$ 143.5</u>	<u>\$ 716.6</u>	<u>\$ 718.9</u>
Net investment in capital assets	632.0	641.6	118.4	117.5	750.4	759.1
Restricted	24.6	22.0	-	-	24.6	22.0
Unrestricted	(86.7)	(88.2)	28.3	26.0	(58.4)	(62.2)
Total net position	<u>\$ 569.9</u>	<u>\$ 575.4</u>	<u>\$ 146.7</u>	<u>\$ 143.5</u>	<u>\$ 716.6</u>	<u>\$ 718.9</u>

At the end of the current fiscal year, the City of Garden Grove is able to report positive total net position balance for the government as a whole. The largest portion of the City's net position is the net investment in capital assets (e.g. land, street, water, sewer and storm drain systems, buildings and park assets, machinery, and equipment), less any related debt still outstanding, used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources

needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's restricted net position, \$24.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, if any, are resources that may be used to meet the government's ongoing obligations to citizens and creditors. For FY 16-17, the City has a negative unrestricted net position of \$58.4 million.

City of Garden Grove, Change in Net Position (in millions)						
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 14.6	\$ 13.6	\$ 45.1	\$ 41.5	\$ 59.7	\$ 55.1
Operating grants and contributions	14.9	15.8	31.4	31.7	46.3	47.5
Capital grants and contributions	0.5	3.6	-	-	0.5	3.6
General revenues:						
Sales taxes	21.8	22.1	-	-	21.8	22.1
Property taxes	42.1	40.6	-	-	42.1	40.6
Other taxes	33.5	29.2	-	-	33.5	29.2
Earnings on investments	1.3	3.3	0.1	0.4	1.4	3.7
Other	0.5	7.3	0.2	0.2	0.7	7.5
Transfers	0.3	-	(0.3)	-	-	-
Gain on sale of capital assets	-	2.8	-	0.1	-	2.9
Total revenues	<u>129.5</u>	<u>138.3</u>	<u>76.5</u>	<u>73.9</u>	<u>206.0</u>	<u>212.2</u>
Expenses:						
Fire	23.9	20.7	-	-	23.9	20.7
Police	53.8	47.3	-	-	53.8	47.3
Traffic safety	4.4	3.0	-	-	4.4	3.0
Public right of way	18.5	16.9	-	-	18.5	16.9
Drainage	1.4	1.5	-	-	1.4	1.5
Community buildings	5.0	4.7	-	-	5.0	4.7
Community services	5.2	4.6	-	-	5.2	4.6
Economic development	4.3	2.3	-	-	4.3	2.3
Parks and greenbelts	1.9	2.0	-	-	1.9	2.0
Community planning and development	7.0	5.7	-	-	7.0	5.7
Municipal support	8.4	6.2	-	-	8.4	6.2
Interest on Long-term debt	1.2	2.0	-	-	1.2	2.0
Water utility	-	-	31.1	27.0	31.1	27.0
Sewage collection	-	-	7.0	6.4	7.0	6.4
Solid waste disposal	-	-	1.7	1.6	1.7	1.6
Housing authority	-	-	30.4	37.0	30.4	37.0
Total expenses	<u>135.0</u>	<u>116.9</u>	<u>70.2</u>	<u>72.0</u>	<u>205.2</u>	<u>188.9</u>
Change in net position	(5.5)	21.4	6.3	1.9	0.8	23.3
Net position, beginning of year, as previously reported	575.4	576.8	143.5	141.6	718.9	718.4
Prior period adjustments *	-	(22.8)	(3.1)	-	(3.1)	(22.8)
Net position, beginning of year, as restated	<u>575.4</u>	<u>554.0</u>	<u>140.4</u>	<u>141.6</u>	<u>715.8</u>	<u>695.6</u>
Net position, June 30	<u>\$ 569.9</u>	<u>\$ 575.4</u>	<u>\$ 146.7</u>	<u>\$ 143.5</u>	<u>\$ 716.6</u>	<u>\$ 718.9</u>

* - Please refer to Page 74 of the CAFR for a discussion of prior period adjustments.

Governmental activities. The City's governmental activities excess expenditures over revenue in the current fiscal year is (\$5.5) million, which is \$26.9 million lower than the prior fiscal year change in net position of \$21.4 million. The major items responsible for this change, are: one time grant receipts; capital contributions to fund

the 800 MHz communication system; and allocation of unfunded pension cost pursuant to GASB 68.

Business-type activities. Business-type activities excess of revenues over expenditures in the current fiscal year is \$6.3 million, which is \$4.4 million higher than the prior fiscal year change in net position of \$1.9 million. This change was primarily due to allocation of unfunded pension cost pursuant to GASB 68.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use. The City's governmental funds can be found on pages 16 and 18.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$77.8 million, an increase of \$7.4 million in comparison with the prior year. Non-spendable fund balance is \$13.4 million (17.0%), restricted fund balance is \$37.8 million (49.0%), and assigned fund balance is \$3.5 million (4.0%). The remainder of the fund balance of \$23.1 million (30.0%) represents unassigned governmental fund balance of the City.

- **General fund.** The general fund is the chief operating fund of the City. At the end of the fiscal year, the fund balance had a net increase of \$4.8 million resulting in a \$39.9 million ending fund balance. The general fund experienced an excess of revenues over expenditures of \$1.7 million primarily attributed to an increase in property tax revenue and transient occupancy tax revenue.
- **HOME Grant Special Revenue fund.** The HOME Grant Special Revenue fund is an elected major fund of the City. At the end of the fiscal year, the fund balance had a net increase of \$0.5 million resulting in a \$5.5 million ending fund balance. The Home Grant is primarily driven by program activity so revenues and expenses will vary year to year.
- **Proprietary funds.** The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail (see pages 20 - 27).

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. There was no significant budget amendment during the year (see page 82).

Final budget compared to actual results. Property tax and transient occupancy tax revenue growth was stronger than anticipated resulting in a \$6.6 million increase in actual over estimated revenues. Furthermore, the City’s concerted effort to contain costs resulted in cost savings of \$4.3 million.

CAPITAL ASSET AND LONG-TERM DEBT

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2017 is \$801.6 million (net of accumulated depreciation). This investment in capital assets includes land, street, sewer, water and storm drain systems, buildings and structures, machinery and equipment, and construction in progress. The total decrease in capital assets for the current fiscal year was approximately \$15.5 million due to infrastructure deletions. The value of the City’s capital assets as of June 30, 2017 is as follows:

	Government activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 418.7	\$ 423.7	\$ 2.6	\$ 2.6	\$ 421.3	\$ 426.3
Construction in progress	3.6	6.4	4.9	4.0	8.5	10.4
Depreciable Capital Assets	226.6	231.8	145.2	148.6	371.8	380.4
Total capital assets	<u>\$ 648.9</u>	<u>\$ 661.9</u>	<u>\$ 152.7</u>	<u>\$ 155.2</u>	<u>\$ 801.6</u>	<u>\$ 817.1</u>

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

- Improvements to the City’s water utility system of \$4.0 million
- Improvements to the City’s sewer system of \$1.1 million
- Improvements to the City’s street system of \$4.7 million

Additional information on the City’s capital assets can be found in the financial statements Note D6 of this report.

Long-term debt. The City’s long-term debt was \$62.2 million at the end of the fiscal year. Debt decreased by \$6.7 million from the prior year as a result of normal principal debt pay down and the refunding of the sewer bond.

California statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The City’s assessed valuation as of June 30, 2017 is \$12.6 billion. The applicable general obligation debt limit for the City is \$1.89 billion. There are no outstanding general obligation bonds of the City for the fiscal year ended June 30, 2017.

Additional information on the City’s long-term debt can be found in the financial statements Note D7 of this report.

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

	Government activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Lease revenue bonds	\$ 25.1	\$ 25.6	\$ -	\$ -	\$ 25.1	\$ 25.6
Agreements payable	0.1	2.9	-	-	0.1	2.9
Capital lease purchase	0.6	0.5	-	-	0.6	0.5
Sewer revenue bonds	-	-	16.7	18.6	16.7	18.6
Water revenue bonds	-	-	19.7	21.3	19.7	21.3
Total	<u>\$ 25.8</u>	<u>\$ 29.0</u>	<u>\$ 36.4</u>	<u>\$ 39.9</u>	<u>\$ 62.2</u>	<u>\$ 68.9</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The national economy continues to show steady growth with gross domestic product (GDP) projected to increase an average of 2.2% over the next couple of years. Recent economic data are mostly positive with low unemployment rates, job growth, and high consumer confidence. State and Orange County local economy remain equally robust.

Given the improving economy, the City’s financial outlook remains optimistic with modest revenue growth expectations. The City’s four largest revenue sources: transient occupancy tax (TOT), sales tax, property tax, and motor vehicle tax are expected to grow consistent with the improving local economy. The City is also working to actualize two major Disposition and Development agreements that will add additional major hotel brands and rooms in the Harbor Resort corridor over the next few years. Both developments are expected to generate significant property tax, sales tax and TOT revenues to the City. However, there are real concerns relative to rising labor costs and unfunded pension liability requirements. The improved economy and resulting low unemployment rate are expected to drive up labor costs, hence budget challenges for the City. Also, increasing pensions costs particularly unfunded liability requirements presents serious future budget challenges for the City.

The City remains optimistic for FY 2017-18. The biennial budget with all funds is balanced and includes a total operating budget of \$224.9 million for FY 2017-18 and \$228.8 million for FY 2018-19. The FY 2017-18 and FY 2018-19 capital improvement budget is \$19.4 million and \$16.9 million, respectively.

REQUESTS FOR INFORMATION

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



Basic Financial Statements

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CITY OF GARDEN GROVE
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and investments	\$ 149,557,608	\$ 63,540,727	\$ 213,098,335
Cash and investments with fiscal agents	8,514,303	713,889	9,228,192
Taxes receivable	6,409,568	68,388	6,477,956
Accounts receivable	2,471,416	6,097,202	8,568,618
Interest receivable	361,548	153,110	514,658
Intergovernmental receivable	1,891,640	7,103	1,898,743
Internal balances	10,504,093	(10,504,093)	-
Inventory	485,664	-	485,664
Prepaid items	26,531	-	26,531
Total current assets	180,222,371	60,076,326	240,298,697
Noncurrent assets:			
Deposits	33,820	28,319	62,139
Notes receivable, net	11,117,007	6,996	11,124,003
Land held for resale	2,995,594	-	2,995,594
Prepaid bond insurance costs	115,961	-	115,961
Capital assets:			
Land	418,711,185	2,564,750	421,275,935
Construction in progress	3,598,594	4,958,300	8,556,894
Depreciable capital assets, net	226,571,985	145,171,210	371,743,195
Total noncurrent assets	663,144,146	152,729,575	815,873,721
Total assets	843,366,517	212,805,901	1,056,172,418
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of debt	-	96,506	96,506
Pension related items	45,271,575	5,597,375	50,868,950
Total deferred outflows	45,271,575	5,693,881	50,965,456
LIABILITIES			
Current Liabilities:			
Accounts payable	5,516,089	5,978,591	11,494,680
Accrued liabilities	1,992,452	561,457	2,553,909
Refundable deposits	2,592,109	661,961	3,254,070
Interest payable	358,798	63,049	421,847
Unearned revenue	-	157,378	157,378
Current portion of long-term obligations	14,683,048	2,090,000	16,773,048
Total current liabilities	25,142,496	9,512,436	34,654,932
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	53,055,707	32,947,613	86,003,320
OPEB liability	5,956,537	901,527	6,858,064
Net pension liability	227,815,611	26,456,194	254,271,805
Total noncurrent liabilities	286,827,855	60,305,334	347,133,189
Total liabilities	311,970,351	69,817,770	381,788,121
DEFERRED INFLOWS OF RESOURCES			
Unamortized gain on refunding of debt	-	1,575,750	1,575,750
Pension related items	6,723,532	447,652	7,171,184
Total deferred inflows	6,723,532	2,023,402	8,746,934
NET POSITION			
Net investment in capital assets	631,964,068	118,370,536	750,334,604
Restricted for:			
Public safety	728,980	-	728,980
Public right of way	9,903,647	-	9,903,647
Community planning and development	10,680,915	-	10,680,915
Developer impact projects	3,299,111	-	3,299,111
Unrestricted	(86,632,512)	28,288,074	(58,344,438)
Total net position	\$ 569,944,209	\$ 146,658,610	\$ 716,602,819

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

**CITY OF GARDEN GROVE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Fire	\$ 23,934,165	\$ 1,346,884	\$ 635,565
Police	53,783,048	3,150,208	1,660,985
Traffic safety	4,424,983	1,356,525	90,000
Public right of way	18,456,392	393,963	8,295,023
Drainage	1,438,209	-	-
Community buildings	4,998,307	401,324	-
Community services	5,183,813	1,014,879	265,543
Economic development	4,271,119	108,070	141,543
Parks and greenbelts	1,860,872	1,264,973	413,935
Community planning and development	6,988,502	2,030,757	2,539,627
Municipal support	8,433,726	3,555,274	825,557
Interest on long term debt	1,212,058	-	-
Total governmental activities	<u>134,985,194</u>	<u>14,622,857</u>	<u>14,867,778</u>
Business-type activities:			
Water utility	31,108,881	32,130,062	-
Sewage collection	7,013,294	10,288,835	-
Solid waste disposal	1,695,477	2,648,899	-
Housing authority	30,390,147	-	31,379,385
Total business-type activities	<u>70,207,799</u>	<u>45,067,796</u>	<u>31,379,385</u>
Total	<u>\$ 205,192,993</u>	<u>\$ 59,690,653</u>	<u>\$ 46,247,163</u>

General revenues:

Taxes:

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

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year, as restated (note 17)

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 1,589	\$ (21,950,127)	\$ -	\$ (21,950,127)
247,013	(48,724,842)	-	(48,724,842)
20,572	(2,957,886)	-	(2,957,886)
-	(9,767,406)	-	(9,767,406)
78,216	(1,359,993)	-	(1,359,993)
-	(4,596,983)	-	(4,596,983)
31,446	(3,871,945)	-	(3,871,945)
-	(4,021,506)	-	(4,021,506)
117,800	(64,164)	-	(64,164)
-	(2,418,118)	-	(2,418,118)
-	(4,052,895)	-	(4,052,895)
-	(1,212,058)	-	(1,212,058)
<u>496,636</u>	<u>(104,997,923)</u>	<u>-</u>	<u>(104,997,923)</u>
1,135	-	1,022,316	1,022,316
-	-	3,275,541	3,275,541
-	-	953,422	953,422
-	-	989,238	989,238
<u>1,135</u>	<u>-</u>	<u>6,240,517</u>	<u>6,240,517</u>
<u>\$ 497,771</u>	<u>(104,997,923)</u>	<u>6,240,517</u>	<u>(98,757,406)</u>
	21,792,872	-	21,792,872
	42,113,373	-	42,113,373
	2,532,462	-	2,532,462
	5,781,098	-	5,781,098
	25,121,419	-	25,121,419
	79,429	-	79,429
	1,337,071	141,479	1,478,550
	487,940	182,272	670,212
	291,865	(291,865)	-
	<u>99,537,529</u>	<u>31,886</u>	<u>99,569,415</u>
	(5,460,394)	6,272,403	812,009
	<u>575,404,603</u>	<u>140,386,207</u>	<u>715,790,810</u>
<u>\$</u>	<u>569,944,209</u>	<u>\$ 146,658,610</u>	<u>\$ 716,602,819</u>

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	HOME Grant Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash investments	\$ 25,706,659	\$ -	\$ 16,085,721	\$ 41,792,380
Cash and cash investments with fiscal agents	130	-	8,514,173	8,514,303
Taxes receivable	6,395,000	-	14,568	6,409,568
Accounts receivable	1,831,558	26,306	517,427	2,375,291
Interest receivable	180,326	476	30,522	211,324
Intergovernmental receivable	-	461,117	1,430,523	1,891,640
Intercity loans receivable	13,414,212	-	-	13,414,212
Deposits and prepaid items	10,407	-	8,249	18,656
Notes receivable	2,688,609	15,757,977	9,475,553	27,922,139
Allowance	(2,502,947)	(10,551,080)	(3,751,105)	(16,805,132)
Land held for resale	-	-	2,995,594	2,995,594
Total assets	<u>\$ 47,723,954</u>	<u>\$ 5,694,796</u>	<u>\$ 35,321,225</u>	<u>\$ 88,739,975</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 931,376	\$ 16,454	\$ 2,177,386	\$ 3,125,216
Accrued liabilities	1,638,612	2,854	195,423	1,836,889
Refundable deposits	2,559,652	4,157	26,616	2,590,425
Due to other funds	1,521,641	197,936	256,513	1,976,090
Total liabilities	<u>6,651,281</u>	<u>221,401</u>	<u>2,655,938</u>	<u>9,528,620</u>
Deferred inflows of resources:				
Unavailable revenue	1,204,987	-	164,105	1,369,092
Total Deferred inflows	<u>1,204,987</u>	<u>-</u>	<u>164,105</u>	<u>1,369,092</u>
Fund balances:				
Non-Spendable:				
Intercity loan	13,414,212	-	-	13,414,212
Prepaid items	10,407	-	-	10,407
Restricted:				
Public safety	102,400	-	9,521,102	9,623,502
Public right of way	230	-	8,433,620	8,433,850
Drainage	-	-	528,880	528,880
Community planning and development	6,418	5,007,569	13,072,117	18,086,104
Community services	161,024	-	945,463	1,106,487
Municipal support and services	14,654	-	-	14,654
Assigned:				
Post-employment benefits	1,000,000	-	-	1,000,000
Garden Grove tourism improvement district	403,899	-	-	403,899
Property tax lawsuit	500,000	-	-	500,000
Building improvements	1,300,000	-	-	1,300,000
General plan	325,160	-	-	325,160
Unassigned	22,629,282	465,826	-	23,095,108
Total fund balances (deficits)	<u>39,867,686</u>	<u>5,473,395</u>	<u>32,501,182</u>	<u>77,842,263</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 47,723,954</u>	<u>\$ 5,694,796</u>	<u>\$ 35,321,225</u>	<u>\$ 88,739,975</u>

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

CITY OF GARDEN GROVE
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2017

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

Fund balances - total governmental funds (page 16)	\$ 77,842,263
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.	637,403,816
Certain notes, grants, and accounts receivables are not available to pay for current period expenditures, and therefore are offset by deferred inflows of resources in the governmental funds.	1,369,092
Internal service funds are used by management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	68,668,467
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.	(31,402,120)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the balance sheet of the governmental funds. Also, deferred inflows and outflows of resources related to pension costs are deferred and amortized in the statement of activities. This amount is the net effect of the treatment of net pension liability, deferred outflows of resources from pension contributions and deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments.	<u>(183,937,309)</u>
Net position of governmental activities	<u>\$ 569,944,209</u>

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

**CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General Fund	HOME Grant Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 94,218,564	\$ -	\$ 3,823,543	\$ 98,042,107
Licenses and permits	1,633,605	-	53,534	1,687,139
Fines, forfeits and penalties	1,807,091	-	814,828	2,621,919
Investment earnings	1,127,046	974	146,747	1,274,767
Charges for current services	6,659,097	-	3,382,306	10,041,403
From other agencies	356,894	549,501	10,733,677	11,640,072
Other revenues	3,184,779	115,298	547,121	3,847,198
Total revenues	<u>108,987,076</u>	<u>665,773</u>	<u>19,501,756</u>	<u>129,154,605</u>
EXPENDITURES:				
Current:				
Fire	23,390,123	-	317,132	23,707,255
Police	51,636,194	-	1,531,569	53,167,763
Traffic safety	2,254,340	-	1,960,594	4,214,934
Public right of way	5,010,630	-	2,246,157	7,256,787
Community buildings	3,185,118	-	-	3,185,118
Community services	2,979,770	-	1,872,392	4,852,162
Economic development	455,307	-	2,301,449	2,756,756
Parks and greenbelts	1,162,029	-	776,929	1,938,958
Community planning and development	5,389,062	199,945	907,996	6,497,003
Municipal support	7,494,817	-	408,169	7,902,986
Capital outlay:				
Fire	-	-	620,070	620,070
Police	-	-	194,130	194,130
Traffic safety	202,994	-	36,305	239,299
Public right of way	415,059	-	3,750,971	4,166,030
Drainage	-	-	310,823	310,823
Community buildings	10,965	-	105,907	116,872
Parks and greenbelts	183,000	-	721,867	904,867
Community planning and development	202,007	-	-	202,007
Debt service:				
Principal retirement	2,142,389	-	1,200,000	3,342,389
Interest and other charges	1,156,976	-	26,880	1,183,856
Total expenditures	<u>107,270,780</u>	<u>199,945</u>	<u>19,289,340</u>	<u>126,760,065</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,716,296</u>	<u>465,828</u>	<u>212,416</u>	<u>2,394,540</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	841,107	-	554,894	1,396,001
Transfers out	(554,894)	-	(741,107)	(1,296,001)
Proceeds from sale of capital assets	2,793,624	-	2,171,150	4,964,774
Total other financing sources (uses)	<u>3,079,837</u>	<u>-</u>	<u>1,984,937</u>	<u>5,064,774</u>
Net change in fund balances	4,796,133	465,828	2,197,353	7,459,314
Fund balances (deficits), beginning of year	<u>35,071,553</u>	<u>5,007,567</u>	<u>30,303,829</u>	<u>70,382,949</u>
Fund balances (deficits), end of year	<u>\$ 39,867,686</u>	<u>\$ 5,473,395</u>	<u>\$ 32,501,182</u>	<u>\$ 77,842,263</u>

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

CITY OF GARDEN GROVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Net change in fund balances - total governmental funds (page 18)	\$ 7,459,314
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlays in the current period.	(14,157,636)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,482,618
Some revenues in statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(150,692)
Internal service funds are used by management to charge the costs of certain activities, such as workers compensation, fleet management, employee benefits, telephones, information systems, risk management and warehouse operations to individual funds. The net expenses of these internal service funds are reported with governmental activities.	938,035
Pension costs do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(2,032,033)</u>
Change in net position of governmental activities	<u><u>\$ (5,460,394)</u></u>

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

CITY OF GARDEN GROVE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Water Utility	Sewage Collection	Solid Waste Disposal	Housing Authority		
ASSETS						
Current Assets:						
Cash and cash investments	\$ 22,670,141	\$ 34,227,416	\$ 5,865,790	\$ 777,380	\$ 63,540,727	\$ 107,765,228
Cash and cash investments with fiscal agents	697,480	16,409	-	-	713,889	-
Taxes receivable	-	31,606	36,782	-	68,388	-
Accounts receivable	4,353,853	1,226,703	506,962	9,684	6,097,202	96,125
Interest receivable	53,634	84,401	13,555	1,520	153,110	150,224
Due from other funds	-	-	-	-	-	1,976,090
Intergovernmental receivable	-	-	-	7,103	7,103	-
Inventory	-	-	-	-	-	485,664
Prepaid items	-	-	-	-	-	7,875
Total current assets	<u>27,775,108</u>	<u>35,586,535</u>	<u>6,423,089</u>	<u>795,687</u>	<u>70,580,419</u>	<u>110,481,206</u>
Noncurrent assets:						
Deposits	15,000	-	-	13,319	28,319	33,820
Intercity loans receivable	750,000	-	-	-	750,000	3,604,554
Allowances	(750,000)	-	-	-	(750,000)	-
Notes receivable	-	6,996	-	-	6,996	-
Capital assets:						
Land	1,471,805	1,092,945	-	-	2,564,750	-
Construction in progress	2,807,119	2,151,181	-	-	4,958,300	525,060
Depreciable capital assets, net	84,847,353	60,323,857	-	-	145,171,210	10,952,888
Total noncurrent assets	<u>89,141,277</u>	<u>63,574,979</u>	<u>-</u>	<u>13,319</u>	<u>152,729,575</u>	<u>15,116,322</u>
Total assets	<u>116,916,385</u>	<u>99,161,514</u>	<u>6,423,089</u>	<u>809,006</u>	<u>223,309,994</u>	<u>125,597,528</u>
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized loss on refunding of debt	96,506	-	-	-	96,506	-
Pension related items	2,836,947	1,348,650	283,121	1,128,657	5,597,375	1,400,300
Total Deferred Outflows	<u>2,933,453</u>	<u>1,348,650</u>	<u>283,121</u>	<u>1,128,657</u>	<u>5,693,881</u>	<u>1,400,300</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	5,926,298	15,364	22,789	14,140	5,978,591	2,390,873
Accrued liabilities	277,379	113,560	79,013	91,505	561,457	155,563
Refundable deposits	485,453	-	-	176,508	661,961	1,684
Interest payable	34,858	28,191	-	-	63,049	200
Unearned revenue	-	-	157,378	-	157,378	-
Current portion of long-term obligations:						
Capital leases	-	-	-	-	-	130,225
Accrued compensated absences	-	-	-	-	-	8,781,016
Claims payable	-	-	-	-	-	5,199,062
Long-term debt	1,570,000	520,000	-	-	2,090,000	-
Total current liabilities	<u>8,293,988</u>	<u>677,115</u>	<u>259,180</u>	<u>282,153</u>	<u>9,512,436</u>	<u>16,658,623</u>
Noncurrent liabilities:						
Noncurrent portion of long-term obligations:						
Capital leases	-	-	-	-	-	249,077
Accrued compensated absences	-	-	-	-	-	1,312,106
Claims payable	-	-	-	-	-	26,649,939
Intercity loans payable	13,414,212	-	-	-	13,414,212	3,604,554
Long-term debt	18,097,613	14,850,000	-	-	32,947,613	-
Net pension liability	13,408,932	6,374,442	1,338,181	5,334,639	26,456,194	6,618,569
OPEB liability	447,831	219,198	40,292	194,206	901,527	214,384
Total noncurrent liabilities	<u>45,368,588</u>	<u>21,443,640</u>	<u>1,378,473</u>	<u>5,528,845</u>	<u>73,719,546</u>	<u>38,648,629</u>
Total liabilities	<u>53,662,576</u>	<u>22,120,755</u>	<u>1,637,653</u>	<u>5,810,998</u>	<u>83,231,982</u>	<u>55,307,252</u>
DEFERRED INFLOWS OF RESOURCES						
Unamortized gain on refunding of debt	-	1,575,750	-	-	1,575,750	-
Pension related items	226,886	107,859	22,642	90,265	447,652	111,990
Total Deferred Inflows	<u>226,886</u>	<u>1,683,609</u>	<u>22,642</u>	<u>90,265</u>	<u>2,023,402</u>	<u>111,990</u>
NET POSITION						
Net investment in capital assets	70,156,144	48,214,392	-	-	118,370,536	8,994,530
Unrestricted	(4,195,768)	28,491,408	5,045,915	(3,963,600)	25,377,955	62,584,056
Total net position	<u>\$ 65,960,376</u>	<u>\$ 76,705,800</u>	<u>\$ 5,045,915</u>	<u>\$ (3,963,600)</u>	<u>143,748,491</u>	<u>\$ 71,578,586</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					2,910,119	
Net position of business-type activities					<u>\$ 146,658,610</u>	

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

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CITY OF GARDEN GROVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities	
	- Enterprise Funds	
	Water Utility	Sewage Collection
Operating revenues:		
Charges for services	\$ -	\$ -
Water sales	32,082,775	-
Section 8 grant revenue	-	-
Solid waste disposal fees	-	-
Property assessments	-	2,840,709
Sewer user fees	-	7,423,705
Other	47,287	24,421
Total operating revenues	<u>32,130,062</u>	<u>10,288,835</u>
Operating expenses:		
Salaries and wages	5,391,413	2,305,087
Employee benefits	-	-
Contractual services	6,490,070	2,001,532
Liability claims	-	-
Materials and supplies	432,726	118,345
Water production expenses	14,090,371	-
Housing assistance payment	-	-
Depreciation and amortization	3,157,701	1,795,220
Total operating expenses	<u>29,562,281</u>	<u>6,220,184</u>
Operating income (loss)	<u>2,567,781</u>	<u>4,068,651</u>
Nonoperating revenues (expenses):		
Investment income	33,147	67,315
Gain (loss) on disposal of assets	(134,439)	(133,416)
Other nonoperating revenues (expenses)	182,272	-
Interest expense	(1,611,985)	(795,959)
Total nonoperating revenues (expenses)	<u>(1,531,005)</u>	<u>(862,060)</u>
Income (loss) before transfers and capital contributions	1,036,776	3,206,591
Capital contributions	1,135	-
Transfers In	-	-
Transfers out	(247,590)	(44,275)
Change in net position	790,321	3,162,316
Total net position, beginning of year as restated	<u>65,170,055</u>	<u>73,543,484</u>
Total net position, end of year	<u>\$ 65,960,376</u>	<u>\$ 76,705,800</u>

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

Change in net position of business-type activities.

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

Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Solid Waste Disposal	Housing Authority	Total	
\$ -	\$ -	\$ -	\$ 60,770,649
-	-	32,082,775	-
-	31,332,354	31,332,354	-
1,874,107	-	1,874,107	-
387,262	-	3,227,971	-
-	-	7,423,705	-
387,530	47,031	506,269	96,230
<u>2,648,899</u>	<u>31,379,385</u>	<u>76,447,181</u>	<u>60,866,879</u>
637,113	1,456,807	9,790,420	17,493,407
-	-	-	26,718,784
1,038,428	170,431	9,700,461	2,598,532
-	-	-	9,877,461
19,936	26,672	597,679	2,112,350
-	-	14,090,371	-
-	28,736,237	28,736,237	-
-	-	4,952,921	1,159,512
<u>1,695,477</u>	<u>30,390,147</u>	<u>67,868,089</u>	<u>59,960,046</u>
<u>953,422</u>	<u>989,238</u>	<u>8,579,092</u>	<u>906,833</u>
35,956	5,061	141,479	33,802
-	-	(267,855)	41,138
-	-	182,272	-
-	-	(2,407,944)	(53,599)
<u>35,956</u>	<u>5,061</u>	<u>(2,352,048)</u>	<u>21,341</u>
989,378	994,299	6,227,044	928,174
-	-	1,135	154,085
-	-	-	291,865
-	-	(291,865)	(100,000)
989,378	994,299	5,936,314	1,274,124
<u>4,056,537</u>	<u>(4,957,899)</u>		<u>70,304,462</u>
<u>\$ 5,045,915</u>	<u>\$ (3,963,600)</u>		<u>\$ 71,578,586</u>
		<u>336,089</u>	
		<u>\$ 6,272,403</u>	

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 31,685,048	\$ 10,441,568
Payments to suppliers	(16,831,386)	(1,773,321)
Payments to employees	(6,578,094)	(3,007,346)
Payments for employee benefits	-	-
Receipts from user departments	-	-
Net cash provided (used) by operating activities	<u>8,275,568</u>	<u>5,660,901</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from other funds	-	-
Cash paid to other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment to bond escrow agent	-	(18,625,330)
Purchases of capital assets	(3,785,809)	(1,733,965)
Proceeds of debt	-	17,358,741.00
Principal paid on capital debt	(1,515,000)	(600,000)
Interest paid on capital debt	(1,648,917)	(795,959)
Cost of issuance paid	-	(222,533)
Net cash provided by capital and related financing activities	<u>(6,949,726)</u>	<u>(4,619,046)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	203,779	64,742
Net cash provided by investing activities	<u>203,779</u>	<u>64,742</u>
Net increase (decrease) in cash and cash equivalents	1,529,621	1,106,597
Cash and cash equivalents, beginning of year	<u>21,838,000</u>	<u>33,137,228</u>
Cash and cash equivalents, end of year	<u>\$ 23,367,621</u>	<u>\$ 34,243,825</u>

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

Business-Type Activities - Enterprise Funds			Governmental Activities -
Solid Waste Disposal	Housing Authority	Total	Internal Service Funds
\$ 4,643,693	\$ 31,452,261	\$ 78,222,570	\$ -
(2,899,763)	(29,006,302)	(50,510,772)	(13,418,712)
(593,969)	(2,329,610)	(12,509,019)	(17,648,575)
-	-	-	(26,153,638)
-	-	-	57,686,917
<u>1,149,961</u>	<u>116,349</u>	<u>15,202,779</u>	<u>465,992</u>
-	-	-	1,560,166
-	-	-	(1,003,106)
-	-	-	557,060
-	-	(18,625,330)	-
-	-	(5,519,774)	(1,848,065)
-	-	17,358,741	-
-	-	(2,115,000)	(154,139)
-	-	(2,444,876)	(5,354)
-	-	(222,533)	-
-	-	(11,346,239)	(2,007,558)
34,612	4,739	307,872	(105)
<u>34,612</u>	<u>4,739</u>	<u>307,872</u>	<u>(105)</u>
1,184,573	121,088	3,941,879	(984,611)
<u>4,681,217</u>	<u>656,292</u>	<u>60,312,737</u>	<u>108,749,840</u>
<u>\$ 5,865,790</u>	<u>\$ 777,380</u>	<u>\$ 64,254,616</u>	<u>\$ 107,765,229</u>

(continued)

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 2,567,781	\$ 4,068,651
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	3,157,701	1,795,220
Other nonoperating revenues (expenses)	169,660	-
Decrease (increase) in taxes receivable	-	7,181
Decrease (increase) in accounts receivable	(235,518)	74,716
Decrease (increase) in intergovernmental receivable	(208,356)	(44,274)
Decrease (increase) in inventory	-	-
Decrease (increase) in prepaid expenses	-	(66,133)
Decrease (increase) in deposits	(23,140)	(8,383)
Increase (decrease) in accounts payable	2,554,859	(47,357)
Increase (decrease) in accrued compensated absences	-	-
Increase (decrease) in accrued liabilities	83,938	(87,528)
Increase (decrease) in claims payable	-	-
Increase (decrease) in OPEB liability	72,006	33,950
Increase (decrease) in net pension liability and related changes in deferred outflows and inflows of resources	136,637	(65,142)
Total adjustments	5,707,787	1,592,250
Net cash provided by operating activities	\$ 8,275,568	\$ 5,660,901

There were no noncash investing, capital, or financing activities for the year ended June 30, 2017.

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

Business-Type Activities - Enterprise Funds			Governmental Activities-
Solid Waste Disposal	Housing Authority	Total	Internal Service Funds
\$ 953,422	\$ 989,238	\$ 8,579,092	\$ 906,833
-	-	4,952,921	1,159,512
-	-	169,660	-
-	-	7,181	-
(1,520)	(4,676)	(166,998)	(1,542,523)
-	(6,403)	(259,033)	-
-	-	-	27,725
-	-	(66,133)	12,348
-	37,580	6,057	-
1,452	(27,512)	2,481,442	(2,721,427)
-	-	-	65,877
154,354	91,505	242,269	147,907
-	-	-	1,728,002
7,708	29,253	142,917	33,098
34,545	(992,636)	(886,596)	648,640
196,539	(872,889)	6,623,687	(440,841)
\$ 1,149,961	\$ 116,349	\$ 15,202,779	\$ 465,992

**CITY OF GARDEN GROVE
STATEMENT OF FIDUCIARY NET POSITION
CITY OF GARDEN GROVE AS SUCCESSOR AGENCY
TO THE GARDEN GROVE REDEVELOPMENT AGENCY
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2017**

ASSETS

Current Assets:

Cash and cash investments	\$	13,667,271
Cash and cash investments with fiscal agents		7,100,667
Accounts receivable		9,326
Interest receivable		16,450
Total current assets		20,793,714

Noncurrent assets:

Notes receivable		1,355,717
Prepaid bond insurance costs		641,084
Land held for resale		26,511,026
Total noncurrent assets		28,507,827

Total assets		49,301,541
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Deferred outflows of resources:

Unamortized loss on refunding of debt		423,802
Total deferred outflows		423,802

LIABILITIES

Current Liabilities:

Accounts payable		5,123,566
Accrued liabilities		25,662
Interest payable		788,938
Current portion of long-term obligations		6,600,000
Total current liabilities		12,538,166

Noncurrent liabilities:

Noncurrent portion of long-term obligations:		
Long-term debt		84,277,760
Total noncurrent liabilities		84,277,760

Total liabilities		96,815,926
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NET POSITION

Held in trust for redevelopment dissolution	\$	(47,090,583)
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The notes to basic financial statements are an integral part of this statement.

**CITY OF GARDEN GROVE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CITY OF GARDEN GROVE AS SUCCESSOR AGENCY
TO THE GARDEN GROVE REDEVELOPMENT AGENCY
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ADDITIONS

Taxes	\$	18,484,197
Investment earnings		34,893
Other revenues		384,264
Total additions		18,903,354

DEDUCTIONS

Program expenses		7,757,514
Administrative expenses		477,489
Interest and fiscal agency expenses		3,409,583
Total deductions		11,644,586

CHANGE IN NET POSITION 7,258,768

NET POSITION, BEGINNING OF YEAR (54,349,351)

NET POSITION, END OF YEAR \$ (47,090,583)

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

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**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Garden Grove (the "City") was incorporated June 18, 1956 as a general law full service city. The City operates under a council-manager form of government and provides the following services: public safety (police, fire, and paramedics), highways and streets, social services, culture and recreation, parks, planning, zoning, housing, water, solid waste collection and disposal, sewage services and general administration. On May 10, 2016, the City of Garden Grove adopted Ordinance No. 2866 changing the City's current at-large system of electing City Council Members to a by-district system to take effect in fiscal year 2016-2017. The Mayor is elected at-large. City Council members are elected by six districts, and he or she must reside within the designated district boundary.

1. Reporting entity

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

Blended component units:

- a. The Garden Grove 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 an enterprise fund as if it were part of the primary government because the governing board is comprised of the City Council, although acting in a different capacity, and two Housing Authority tenants. The Housing Authority governing board approves the Housing Authority budget and the City provides staffing.
- b. 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 Garden Grove Sanitary District provides the City of Garden Grove, a portion of the City of Santa Ana and County of Orange unincorporated areas with sewer maintenance services including cleaning of sewage collection lines, inspection of sewage lines built within the district by developers. Garden Grove has an agreement with Republic Services to provide an exclusive franchise for Solid Waste Handling Services for residents and commercial establishments within the Garden Grove Sanitary District. The district became a subsidiary district and component unit of the City of Garden Grove on May 30, 1997. The Sanitary District is reported as two enterprise funds, the Sewage Collection enterprise fund and Solid Waste Disposal enterprise fund as if it were part of the primary government because the City Council, although acting in a different capacity, is the governing board. Council members approve the Sanitary District budget and the City provides staffing.
- c. The Garden Grove Public Financing Authority (the "Authority") was established on June 22, 1993 as a joint powers agency organized under the laws of the State of California. The Authority was formed to assist in the financing of public and capital improvements. The Authority's financial data and transactions are included within enterprise funds. The Authority is administered by the Board who are the members of the City Council and the Mayor. Council members approve the Authority budget and the City provides staffing.

Separate reports are not issued for the Garden Grove Housing Authority, the Garden Grove Sanitary District, or the Garden Grove Public Financing Authority.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

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

2. Government-wide and fund financial statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant funds received before the revenue recognition criteria have been met are reported as unearned revenues.

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

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

The City reports the following major governmental funds:

General fund

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

HOME Grant special revenue fund

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

The City reports the following major enterprise funds:

Water Utility fund

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

Sewage Collection fund

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

Solid Waste Disposal fund

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

Housing Authority fund

The Housing Authority fund accounts for revenues and expenses pertaining to the Federal Section 8 Housing Program.

Additionally, the City reports the following fund types:

Internal Service funds

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

Private-Purpose Trust fund

The Private-Purpose Trust Fund accounts for the custodial responsibilities that are assigned to the Successor Agency pursuant to the Dissolution Act.

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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

4. Assets, liabilities, and net position or fund balance

a. Deposits and investments

The City pools idle cash from all funds in order to maximize income from investment activities. Investments are recorded on the City's books at fair value (quoted market price or best available estimate thereof). Interest income on investments is allocated to individual funds on the basis of monthly cash and investment balances except for the Fleet Management, Employee Benefits, Warehouse Operations, and Telephone System Internal Service Funds by management decision.

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

b. Receivables and payables

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

Intercity loans receivable, as reported in the fund financial statements, are offset by a non-spendable fund balance in applicable governmental funds to indicate that they are not in spendable form.

Utility accounts are billed on a bi-monthly basis. Receivables for water and sewer are recorded when consumption is billed. Unbilled receivables are recorded at fiscal year end to adjust for the billing cycle and are included as accounts receivable in the Water and Sewer funds. Sanitary refuse collection accounts are billed quarterly by the refuse hauler and payments are received by the refuse hauler.

c. Taxes receivable

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

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2017**

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

The property tax calendar is as follows:

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

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

November 10, 2016	7% - 10%
December 1, 2016	5% - 10%
December 21, 2016	30% - 35%
January 12, 2017	1% - 5%
March 9, 2017	5% - 7%
April 20, 2017	30% - 35%
May 25, 2017	1% - 5%
July 13, 2017	1% - 2% (Collections through June 30)

d. Inventory, prepaid items, and land held for resale

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

Land held for resale is valued at lower of cost or estimated net realizable value, determined upon execution of a disposition and development agreement, at June 30, 2017 and is located in the Housing Successor Agency Capital Projects Fund and the Successor Agency Trust Fund.

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

e. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The net interest cost incurred in the financing of projects during the construction period is not capitalized, except for enterprise funds. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. The interest capitalized by the City during the current fiscal year was \$171,422.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

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

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

f. *Deferred outflows/inflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two types of items that qualify for reporting in this category. One is the deferred charge from pension related items and the other is the unamortized loss on refunding of debt which are reported in the government-wide statement of net position and proprietary funds' statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or balance sheet of governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items which qualify for reporting in this category. Two of the items, pension related items and unamortized gain on refunding of debt, are presented on the government-wide statement of net position. Pension related items is also presented on the proprietary funds' statement of net position. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from notes, accounts, and grant receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

g. *Accrued compensated absences*

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

h. Long term obligations

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

i. Fair value measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive; inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

j. Classification of Net Position and Fund Balances

1. Government-wide Financial Statements

In the government-wide financial statements, net position is classified in the following categories:

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation on these assets and the outstanding principal of related debt reduce this category.
- Restricted Net Position – This category consists of restricted assets reduced by liabilities related to those assets.
- Unrestricted Net Position – This category represents the net position of the City that are not externally restricted for any project or other purpose.

Restricted resources are used first to fund appropriations.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

2. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2017, fund balance for governmental funds are made up of the followings:

- Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action via an ordinance that imposed the constraint originally.
- Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

k. Estimates

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

l. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis. For the purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframe. For this report, the following timeframes are used.

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds balance sheet. The capital assets reported in the *Statement of Net Position* excluding internal service fund capital assets are as follows:

Capital assets	\$ 947,679,965
Accumulated depreciation	(310,276,149)
	<u>\$ 637,403,816</u>

Certain accounts and grants receivables are not available to pay for current period expenditures, and therefore are offset by deferred inflows of resources in the governmental funds.

Grant and accounts receivables not available to pay for current period expenditures	<u>\$ 1,369,092</u>
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Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation, fleet management, employee benefits, information systems, warehouse operations, telephone system, risk management and communication replacement to individual funds. The internal service funds are allocated primarily to governmental activities.

Internal service funds net position - beginning of year	\$ 70,304,462
Change in net position	1,274,124
Internal service funds net position - end of year	<u>71,578,586</u>
Less allocation to enterprise funds	(2,910,119)
Adjustment to statement of net position - governmental	<u>\$ 68,668,467</u>

One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. The details of this \$31,402,120 adjustment are as follows:

Certificates of participation	\$ (25,104,126)
Agreements payable	(69,825)
Capital lease	(243,403)
Interest payable	(358,598)
Postemployment benefit obligation	(5,742,129)
Prepaid issuance costs	115,961
	<u>\$ (31,402,120)</u>

The net pension liability is not due and payable in the current period and, therefore, is not reported in the balance sheet of the governmental funds. Also, deferred inflows and outflows of resources related to pension costs are deferred and amortized in the statement of activities. This amount is the net effect of the treatment of net pension liability, deferred outflows of resources from pension contributions and deferred inflows of resources for the net difference between projected and actual earnings on pension plan investments:

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

Deferred outflows of resources - pension related	\$ 43,871,275
Net Pension Liability	(221,197,042)
Deferred inflows of resources - pension related	(6,611,542)
	<u>\$ (183,937,309)</u>

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

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

Capital outlay expenditures capitalized, net of loss on disposal of capital assets	\$ 174,151
Current year governmental depreciation	(14,331,787)
	<u>\$ (14,157,636)</u>

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of this adjustment are as follows:

Debt principal repayments:	
Certificates of participation	\$ 464,366
Agreements payable	2,825,575
Capital lease payable	95,684
Issuance of a capital lease	(16,639)
Amortization of issuance costs	(37,086)
Change in interest payable	35,862
Change in postemployment benefit obligation	(885,144)
Total long term debt adjustment	<u>\$ 2,482,618</u>

Some revenues in statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.

Revenue from other agencies	\$ (150,692)
	<u>\$ (150,692)</u>

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expenses of these internal service funds are reported as governmental activities.

Internal service funds change in net position	\$ 1,274,124
Less change in net position allocated to enterprise funds	(336,089)
Adjustment to statement of activities - Governmental	<u>\$ 938,035</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

Pension costs do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Fire	\$	244,382
Police		660,737
Traffic safety		34,120
Public right of way		178,062
Community buildings		81,923
Community services		182,505
Parks and greenbelts		37,496
Community planning and development		304,589
Municipal support		308,219
	<u>\$</u>	<u>2,032,033</u>

C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Budgetary information

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

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

The legal level of budgetary control is considered to be at the fund level since management can reassign resources within a fund without special approval from City Council. 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.

2. Deficit fund equity

The following funds had a deficit at June 30, 2017:

<u>Fund</u>	<u>Type of Fund</u>	<u>Deficit Fund Equity</u>
Housing Authority	Enterprise	(\$3,963,600)
Information Systems	Internal Service	(\$486,065)
Successor Redevelopment Agency	Fiduciary	(\$47,090,583)

The Housing Authority fund, an enterprise fund, has a deficit fund balance of \$3,963,600. The deficit is due to prior period costs related to the revised allocation of the net pension liability in accordance with GASB 68 and due to prior period costs related to the revised allocation of the OPEB liability. Until Section 8 administrative revenue granted to the Housing Authority from the Department of Housing and Urban Development increases to enable the Housing Authority to pay down its pension liability, there will continue to be a deficit in the Housing Authority Fund.

The Information Systems fund, an internal service fund, has a deficit fund balance of \$486,065. The deficit is related to costs from the implementation of GASB 68 and OPEB liability.

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2017**

The City of Garden Grove as Successor Agency to the Garden Grove Redevelopment Agency Private Purpose Trust Fund (Successor Agency), a fiduciary fund, has a deficit balance of \$47,090,583. The deficit is due to covenant obligations and write downs of capital assets held by the Successor Agency to its net realizable value pursuant to developer disposition agreements.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (RPTTF) for each Successor Agency. The deposit in the RPTTF is used to pay Successor Agency obligations. It is expected that this deficit will be eliminated with future resources obtained from the RPTTF.

D. DETAILED NOTES ON ALL FUNDS

1. Cash and investments

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of net position:

City of Garden Grove:

Cash and investments	\$ 213,098,335
Cash and investments with fiscal agent	9,228,192
	<u>222,326,527</u>

Successor Agency (Private Purpose Trust Fund)

Cash and investments	13,667,271
Cash and investments with fiscal agent	7,100,667
	<u>20,767,938</u>
Total cash and investments	<u>\$ 243,094,465</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 43,730
Deposits with financial institutions	4,474,037
Investments	238,576,698
Total cash and investments	<u>\$ 243,094,465</u>

Investments Authorized by the City's Investment Policy

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio*	Maximum Investment in One Issuer
Securities of the U.S. Government or its Agencies	5 years	None	None
Federal Home Loan Bank (FHLB)	5 years	None	None
Federal National Mortgage Association (FNMA)	5 years	None	None
Federal Farm Credit Bank (FFCB)	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Certificates of Deposits (CD)	N/A	30%	5%
Bankers Acceptances	180 days	30%	10%
Negotiated Certificates of Deposit	N/A	30%	5%
Commercial Paper	10 days **	15% **	None
Medium Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage-backed Securities	5 years	20%	None
Repurchase Agreement (Overnight)	30 days **	None	None
Passbook Savings Account	N/A	None	None

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

** Represents where the City's investment policy is more restrictive than the California Government Code

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

Authorized Investment Type	Amount	Weighted Average Maturity (in years)
U.S. Treasury	\$ 53,977,560	2.37
U.S. Agency Securities		
FHLB	33,379,243	2.40
FFCB	37,357,905	1.69
FNMA	43,797,400	2.09
Local Agency Investment Fund (LAIF)	53,735,732	0.50
Held by fiscal agent:		
Money Market Funds	<u>16,328,858</u>	0.50
 Total	 <u>\$ 238,576,698</u>	

Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
U.S. Treasury	\$ 53,977,560	N/A	\$ 53,977,560	\$ -	\$ -
U.S. Agency Securities					
FHLB	33,379,243	N/A	-	33,379,243	-
FFCB	37,357,905	N/A	-	37,357,905	-
FNMA	43,797,400	N/A	-	43,797,400	-
Local Agency Investment Fund (LAIF)	53,735,732	N/A	-	-	53,735,732
Held by fiscal agent:					
Money Market Funds	<u>16,328,858</u>	AAA	-	<u>16,328,858</u>	-
Total	<u>\$ 238,576,698</u>		<u>\$ 53,977,560</u>	<u>\$ 130,863,406</u>	<u>\$ 53,735,732</u>

Concentration of Credit Risk

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

Issuer	Investment Type	Investment Type
FHLB	U.S. Agency Securities	\$ 33,379,243
FFCB	U.S. Agency Securities	37,357,905
FNMA	U.S. Agency Securities	43,797,400

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

Custodial Credit Risk

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

Callable Step-Up Agency Security

The City purchased a \$3 million structured note on August 3, 2016. The note matures on August 24, 2021. The semiannual coupon steps up from .5% to 1.5%. At June 30, 2017 the note had a fair value of \$2,990,400.

Investment in State Investment Pool

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

The total amount invested by all public agencies in LAIF as of June 30, 2017 was \$22.8 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2017 had a balance of \$77.6 billion.

Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Type	Total	Fair Value Hierarchy		
		Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury	\$ 53,977,560	\$ 53,977,560	\$ -	\$ -
U.S. Agency Securities:				
FEDERAL HOME LOAN BANKS (FHLB)	33,379,243	-	33,379,243	-
FEDERAL FARM CREDIT BANKS (FFCB)	37,357,905	-	37,357,905	-
FED NAT MORT ASSOC (FNMA)	43,797,400	-	43,797,400	-
Total	\$ 168,512,108	\$ 53,977,560	\$ 114,534,548	\$ -

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

2. Intercity loans receivable/payable at June 30, 2017 consisted of the following:

a. Loan from General fund to Water Utility fund:

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

\$13,414,212

b. Loan from General fund to the former redevelopment agency:

The General fund has loaned to the former redevelopment agency a total of \$2,863,113 to assist in funding the Agency's operating budget since 2004. The loans accrue interest at a rate of 6.5% per annum. On March 8, 2011, City Council authorized a loan amortization schedule. Principal payments ranging from \$699,984 to \$900,505 are due annually. In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have been invalidated. Therefore, the City has set up 100% allowance for this loan on February 1, 2012.

2,539,990

c. Loan from the General fund to former redevelopment agency:

On May 21, 1984 the City Council approved an agreement between the City and the Agency for Community Development Community Project capital projects fund wherein the Agency agreed to reimburse the City \$2,405,511, plus any accruing unpaid interest at the annual rate of 10%, for capital improvements within the Agency's redevelopment area which were initially paid for by the General fund. On March 8, 2011, the City Council authorized a loan amortization schedule. Principal payments ranging from \$761,037 to \$1,114,235 are due annually. In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have been invalidated. Therefore, the City has set up 100% allowance for this loan on February 1, 2012.

3,048,030

d. Loan from the General fund to the former redevelopment agency:

On February 26, 2002 the City Council approved an agreement between the City and the Agency for Community Development Community Project capital projects fund wherein the City has agreed to advance funds to the Agency for the acquisition and development of certain property within the project areas. The advance is subject to repayment on demand and bears interest at a rate of 6.5%. The Agency is responsible for making payments on the City's \$22,735,000 Certificates of Participation Series A of 2002, (the Certificates), the proceeds of which were used to fund the advances from the City to the Agency. The Agency also reimbursed the City for the \$683,739 issuance costs related to the Certificates of Participation. In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have been invalidated. Therefore, the City has set up 100% allowance for this loan on February 1, 2012.

18,970,000

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

2. Intercity loans receivable/payable at June 30, 2017 consisted of the following:

e. Loan from Water Utility fund to the former redevelopment agency:

The former redevelopment agency has a loan from the Water Utility fund in the amount of \$750,000. Interest is paid monthly at an annual rate of 10% and has no fixed amortization date. In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have been invalidated. Therefore, the City has set up 100% allowance for this loan on February 1, 2012.

750,000

f. Loan from Low Income Housing Assets capital project fund to the former redevelopment agency:

The former redevelopment agency has five loans from the Low Income Housing Assets capital project fund, that were used to make the fiscal year 2003-04 (\$999,032), 2004-05 (\$1,680,565), and 2005-06 (\$1,517,267) mandated Educational Revenue Augmentation Fund payments and "Supplemental" Education Revenue Augmentation Fund payments for the fiscal year 2009-10 (\$7,906,610) and 2010-11 (\$1,626,274). Interest is accrued annually for the respective loans based upon the City's investment rate of return of the prior year. The rate accrued on the loans for fiscal year 2003-04 was 2.30%, 2004-05 was 1.60%, and 2005-06 was 2.28%. No interest was accrued on the 2009-10 and 2010-11. The loans are due in 10 years from the loan establishment except for 2009-10 and 2010-11 loans which are due on May 10, 2015 and June 30, 2016, respectively. The former redevelopment agency has one additional loan of \$100,000 from the Low Income Housing Assets capital project fund that was used to acquire a property held for resale. This loan is interest free and due in the fiscal year 2011-12. In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have been invalidated. Therefore, the City has set up 100% allowance for this loan on February 1, 2012.

13,729,748

g. Loan from Vehicle Replacement Fund to the new Communications Replacement Fund:

On January 26, 2016 the City Council approved an agreement between the Vehicle Replacement Fund to the Communications Replacement Fund for the upgrade and purchase of communications equipment for the operation of the 800 MHZ public safety communications system. Current schedule reflects the FY15-16 debt service portfolio rate of 1.26% which will be applied to the FY16-17 debt service. The estimated average portfolio rate will be updated annually once the prior year average portfolio rate is available. The principal will be paid annually in the amount of \$400,506 plus interest. The principal may be prepaid without penalty at any time.

3,604,554

TOTAL INTERCITY LOANS RECEIVABLE

56,056,534

Less: Allowance

(39,037,768)

TOTAL INTERCITY LOANS RECEIVABLE, NET

\$ 17,018,766

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

3. Interfund receivables, payables, and transfers

a. The composition of interfund receivable/payable balances as of June 30, 2017 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 1,521,641
HOME Grant Fund	-	197,936
Nonmajor governmental funds	-	256,513
Internal service funds	<u>1,976,090</u>	<u>-</u>
Total	<u>\$ 1,976,090</u>	<u>\$ 1,976,090</u>

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

b. The composition of interfund transfer balances for the year ended June 30, 2017 is as follows:

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Nonmajor governmental funds</u>	<u>Internal service funds</u>	<u>Total</u>
<u>Transfers out:</u>				
General Fund	\$ -	\$ 548,025	\$ -	\$ 548,025
Nonmajor governmental funds	741,107	-	-	741,107
Water Utility Fund	-	-	247,590	247,590
Sewage Collection Fund	-	-	44,275	44,275
Internal service funds	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total	<u>\$ 841,107</u>	<u>\$ 548,025</u>	<u>\$ 291,865</u>	<u>\$ 1,680,997</u>

General Fund transfers to the nonmajor governmental funds include annual transfers to the Garden Grove Cable fund of \$392,986 and the Self Supporting Revenue fund of \$161,908.

Transfers to the General fund were generated by the Garden Grove Tourism Improvement District Special Revenue fund to fund future City projects. The internal service fund transfer of \$100,000 was generated from the Risk Management fund determined by short-term budget resolutions.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

4. Notes receivable at June 30, 2017, consisted of the following:

a. Neighborhood Stabilization Program (NSP) Loan - Other nonmajor governmental funds:

The City has entered into twenty-five NSP Agreements utilizing NSP funds; at June 30, 2017 eighteen NSP Agreements remain, which are reflected in nonmajor governmental funds. These loans provide up to \$40,000 in down payment assistance in the form of a silent loan that requires no payment for 30 years. The loans carry 0% interest charges. These notes receivable are offset with 100% allowance. Revenue will be recognized when received.

\$ 708,638

b. Mortgage Assistance Program (MAP) Loan - Other nonmajor governmental funds:

The City has entered into one-hundred-thirty-seven MAP Agreements utilizing CalHome funds; at June 30, 2017 sixty MAP Agreements remain, which are reflected in nonmajor governmental funds. These loans provide up to \$40,000 in down payment assistance in the form of a silent loan that requires no payment for 5 up to 30 years. Some of the loans carry interest between 0 to 3% annually. The receivable will be reduced when payment is made at end of term.

973,212

c. CalHome Mortgage Assistance (CalHome) Loan - Other nonmajor governmental funds:

The City has entered into thirty-two CalHome Agreements utilizing CalHome funds; at June 30, 2017 twenty-seven CalHome Agreements remain, which are reflected in nonmajor governmental funds. These loans provide up to \$60,000 in down payment assistance in the form of a silent loan that requires no payment for 30 years. The loans carry 3% interest charges. The receivable will be reduced when payment is made at end of term.

1,291,277

d. Rental rehabilitation - HOME Grant Revenue fund:

The City has entered into a Housing Rehabilitation Agreement utilizing HOME funds for the purpose of assisting developers in the acquisition, substantial rehabilitation and continued operation of an existing 78-unit multifamily affordable housing project called Sycamore Court. Due to the multiple project funding sources, when completed the project will be subject to new income restrictions, occupancy and other affordable housing covenants. Disbursement loan proceeds of \$1,200,000 will be made in five installment payments commencing upon the date of initial disbursement of funds at closing and continuing until September 2033. The first installment of \$360,000 was issued in June 2017. The City Loan Note shall bear simple interest at the rate of 3% per annum from the date of initial disbursement. Interest payments of \$36,000 are due on an annual basis and no principal payments are required on the loan maturity date of September 30, 2033.

360,000

e. Single Family Rehab (Deferred Loan) - Other nonmajor governmental funds:

The City has entered into seventy Deferred Loan Agreements utilizing City funds; at June 30, 2017 eighteen Deferred Loan Agreements remain, which are reflected in nonmajor governmental funds. These loans provide up to \$20,000 in down payment assistance in the form of

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

a silent loan that requires no payment for 15 or 30 years. The loans carry 3% or 5% interest charges. The receivable will be reduced when payment is made at end of term.

170,604

f. ADDI Down Payment Rehab (ADDI) Loan - Other nonmajor governmental funds:

The City has entered into nine ADDI Agreements utilizing American Dream Downpayment Initiative funds; at June 30, 2017 eight ADDI Agreements remain, which are reflected in nonmajor governmental funds. These loans provide up to \$30,000 in down payment assistance in the form of a silent loan that requires no payment for 15 years. The loans carry 0% interest charges. These loans are forgivable if the recipient complies with all conditions. These notes receivable are offset with 100% allowance. Revenue will be recognized when received.

144,494

g. Rental rehabilitation - Other nonmajor governmental funds:

The Low and Moderate Income Housing Asset capital projects fund holds five notes related to property rehabilitation loans, which have been used to assist developers in the rehabilitation of multifamily residential buildings located within the City for the purpose of providing adequate low income housing opportunities for City residents. These notes receivable are offset with 88% allowance. Revenue will be recognized when received.

3,482,580

h. Rental rehabilitation – HOME Grant Special Revenue fund and Other nonmajor governmental funds:

The City has entered into sixteen Housing Rehabilitation Agreements utilizing CDBG funds, which are reflected in other governmental funds and the HOME fund. These loans were for the purpose of assisting developers in the rehabilitation and operation of multifamily apartment buildings for the purpose of providing adequate low-income housing to City residents. Many of these buildings had suffered from serious structural deterioration, overcrowding and high crime. These notes receivable are offset with 65% allowance. Revenue will be recognized when received.

13,273,205

i. Affordable housing agreement – General fund:

The City has entered into three Affordable Housing Agreements with developers wherein the developers have agreed to comply to certain affordability covenants including the reimbursement to the City of forgone property taxes which would have been payable for the property, increasing at the rate of approximately 2 percent annually. These notes receivable are offset with 92% allowance. Revenue will be recognized when received.

2,188,608

j. Rental construction – HOME Grant Special Revenue fund:

The City has entered into a rental construction loan agreement utilizing HOME funds. The note was for the purpose of assisting the developer with the construction of new low-income housing for City residents. The note bears a simple annual interest rate of 3%. Loan repayment is based on residual receipts and is contingent upon the release of construction covenants for the project. In addition, the note commenced upon the initial disbursement of funds in June 2015, and

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

its maturity will be the fifty-fifth anniversary of the date the Release of Construction Covenants. Due to the length of note term and uncertainty of note repayment, the City has reserved 75% allowance for the note. 2,120,491

k. Second Trustee Loan – General fund:

The City has entered into a financed sale agreement with the Caritas Corporation for the sale of the City’s two mobile home parks, 13741 Clinton Street and 13096 Blackbird Street, in fiscal year 2010-2011. The initial loan amounts were \$172,500 and \$327,500, respectively. These two loans are subordinate loans that are not interest bearing and are due and payable in seven years in September 2017. These notes receivable are offset with 100% allowance. Revenue will be recognized when received. 500,000

l. Conveyance of Property Loan Agreement – Non-major Capital Project Fund:

The City has entered into a financed sale agreement with the Housing Authority for the sale of twelve single-family residential parcels on March 12, 2016. The initial loan amount is \$2,709,030. The note bears a simple annual interest rate of 4% in 60 equal monthly interest-only payments in the amount of \$9,030 with a balloon payment on the 60th month. The term of the promissory note is due and payable in five years in March 2021. 2,709,030

m. Private Sewer Lateral Loan Agreement – Sewer fund:

The Garden Grove Sanitary District has entered into a Private Sewer Lateral Loan Agreement with The Helen Brooks Montgomery Revocable Trust on October 1, 2012, for an original amount of \$10,000. The loan is due and payable at the simple annual interest rate of 2.24%. Monthly payments in the amount of \$65.47 are required. Loan principal is amortized over the 15-year life and the principal portion of monthly payment reduces the loan payable. 6,996

n. Successor Redevelopment Development Agency - Coastline:

The SRDA entered into agreement with Coastline Community College to assist them in building their building near the Civic Center/Main Street area of the City. The initial loan was in the amount of \$1,175,000. At the end of the lease Coastline Community College would make a balloon payment and pay off note. 1,355,189

o. Successor Redevelopment Development Agency - Other:

This loan agreement was established to provide relocation assistance related to the Trask Avenue Widening Project. The original loan was for \$40,000 and it carried 5% interest per annum. The SRDA is paid in monthly installments of Two Hundred Fourteen Dollars and Seventy Three Cents (\$214.73). This agreement was for a thirty (30) year term loan. 528

TOTAL NOTES RECEIVABLE 29,284,852

Less: Allowance (16,805,132)

TOTAL NOTES RECEIVABLE, NET \$ 12,479,720

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

5. Land held for resale

The City and the Successor Agency land held for resale is an inventory of land intended to be sold to developers. The land is carried at the lower of cost or estimated net realizable value, as determined upon execution of a disposition and development agreement.

City land held for resale is comprised of inventory held by the Housing Successor Agency capital projects fund. City and Successor Agency land held for resale balances at June 30, 2017 are \$2,995,594 and \$26,511,026, respectively.

6. Capital assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance *	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 423,696,007	\$ 20,220	\$ (5,005,042)	\$ 418,711,185
Construction in progress	6,446,269	6,515,575	(9,363,250)	3,598,594
Total capital assets, not being depreciated	430,142,276	6,535,795	(14,368,292)	422,309,779
Capital assets, being depreciated:				
Infrastructure				
Street system	396,788,111	4,659,372	(2,452,072)	398,995,411
Storm drain assets	71,671,703	-	-	71,671,703
Buildings and park assets	44,137,832	1,948,506	(560,678)	45,525,660
Furniture and equipment	34,694,508	5,117,134	(5,180,849)	34,630,793
Total capital assets, being depreciated	547,292,154	11,725,012	(8,193,599)	550,823,567
Less accumulated depreciated for:				
Infrastructure				
Street system	(220,702,565)	(11,161,166)	1,337,069	(230,526,662)
Storm drain assets	(45,182,478)	(1,416,494)	-	(46,598,972)
Buildings and park assets	(25,520,994)	(1,239,313)	254,081	(26,506,226)
Furniture and equipment	(24,080,663)	(1,674,326)	5,135,267	(20,619,722)
Total accumulated depreciation	(315,486,700)	(15,491,299)	6,726,417	(324,251,582)
Total capital assets, being depreciated, net	231,805,454	(3,766,287)	(1,467,182)	226,571,985
Governmental activities capital assets, net	\$ 661,947,730	\$ 2,769,508	\$ (15,835,474)	\$ 648,881,764
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 2,564,750	\$ -	\$ -	\$ 2,564,750
Construction in progress	3,963,091	6,020,084	(5,024,875)	4,958,300
Total capital assets, not being depreciated	6,527,841	6,020,084	(5,024,875)	7,523,050
Capital assets, being depreciated:				
Buildings and structures	328,260	-	-	328,260
Water system	137,997,196	3,936,734	(1,545,471)	140,388,459
Sewer system *	113,002,769	1,131,344	(890,173)	113,243,940
Machinery and equipment	627,210	-	(243,554)	383,656
Total capital assets, being depreciated	251,955,435	5,068,078	(2,679,198)	254,344,315
Less accumulated depreciated for:				
Buildings and structures	-	(10,442)	-	(10,442)
Water system	(54,125,115)	(3,181,274)	1,400,303	(55,906,086)
Sewer system	(51,952,612)	(1,809,228)	756,755	(53,005,085)
Machinery and equipment	(345,574)	(23,427)	117,509	(251,492)
Total accumulated depreciation	(106,423,301)	(5,024,371)	2,274,567	(109,173,105)
Total capital assets, being depreciated, net	145,532,134	43,707	(404,631)	145,171,210
Business-type activities capital assets, net	\$ 152,059,975	\$ 6,063,791	\$ (5,429,506)	\$ 152,694,260

* Restated to increase accumulated depreciation for the Sewer System (see note 17).

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

6. Capital assets (continued)

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

	Governmental Activities	Business-type Activities
	<u> </u>	<u> </u>
Police Protection	\$ -	\$ -
Traffic safety	-	-
Right of way	11,161,166	-
Drainage	1,416,494	-
Community buildings	1,754,127	-
Water	-	3,201,084
Sewage collection	-	1,823,287
Solid waste disposal	-	-
Housing Authority	-	-
Internal service fund	1,159,512	-
	<u>1,159,512</u>	<u>-</u>
Total	<u>\$ 15,491,299</u>	<u>\$ 5,024,371</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

7. Long-Term Debt

a. Following is a summary of long-term debt transactions for the City for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Lease revenue bonds 2015A	\$ 24,010,000	\$ -	\$ (410,000)	\$ 23,600,000	\$ 425,000
Add: premium	1,558,492	-	(54,366)	1,504,126	-
Agreements payable	2,895,399	-	(2,825,573)	69,826	46,094
Capital lease payable	546,423	327,953	(251,699)	622,677	231,875
Governmental activities long-term debt	29,010,314	327,953	(3,541,638)	25,796,629	702,969
Other non-current liabilities:					
Claims payable	29,740,000	8,005,135	(5,896,134)	31,849,001	5,199,063
Compensated absences	10,027,248	6,999,556	(6,933,679)	10,093,125	8,781,016
Governmental activities long-term liabilities	\$ 68,777,562	\$ 15,332,644	\$ (16,371,451)	\$ 67,738,755	\$ 14,683,048
Business-type activities					
Water revenue COP 2015	\$ 7,375,000	\$ -	\$ (865,000)	\$ 6,510,000	\$ 885,000
Water revenue bond 2010	13,400,000	-	(650,000)	12,750,000	685,000
Add: premium/discount	465,845	-	(58,233)	407,612	-
Sewer revenue COP 2006	18,365,000	-	(18,365,000)	-	-
Add: premium	281,208	-	(281,208)	-	-
Sewer revenue refunding bond 2017	-	15,970,000	(600,000)	15,370,000	520,000
Add: premium	-	1,388,741	(18,114)	1,370,627	-
Business-type activities long-term liabilities	\$ 39,887,053	\$ 17,358,741	\$ (20,837,555)	\$ 36,408,239	\$ 2,090,000
Private-purpose trust bond					
2016 Tax allocation bonds	\$ 36,540,000	\$ -	\$ -	\$ 36,540,000	\$ -
Add: premium	6,224,063	-	(360,815)	5,863,248	-
2014 Tax allocation bond	33,945,000	-	(2,430,000)	31,515,000	2,505,000
Add: premium	4,183,588	-	(315,743)	3,867,845	-
2008 Subordinate Note	1,515,000	-	(90,000)	1,425,000	95,000
Agreements payable	15,666,667	-	(4,000,000)	11,666,667	4,000,000
Private-purpose trust fund long-term liabilities	\$ 98,074,318	\$ -	\$ (7,196,558)	\$ 90,877,760	\$ 6,600,000

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

b. Governmental long-term debt at June 30, 2017 consisted of the following:

Lease Revenue Bonds, Series 2015 A:

On November 10, 2015, the Garden Grove Public Financing Authority issued \$24,790,000 of Lease Revenue Bonds, Series 2015A. The Bonds were issued for the current refunding of \$17,100,000 of outstanding Certificates of Participation Series A (2002 Financing Project) and to finance the acquisition/construction of a fire station, police building renovations and other public capital improvements. Principal payments on the Bonds are due annually on March 1 each year, ranging from \$410,000 to \$1,435,000, and continuing until March 1, 2045. Interest is payable semiannually, beginning on March 1, 2016, with an interest rate ranging from 2.00% to 5.00% over the life of the Bonds. Such bonds are subject to Federal arbitrage regulations, however, no arbitrage liability is reported at June 30, 2017.

\$23,600,000

Unamortized bond premium

1,504,126

Total lease revenue bonds

\$25,104,126

Agreements payable:

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

69,826

Total agreements payable

\$69,826

Capital leases payable:

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

226,735

In August 2016, the City renewed the capital lease arrangement in the amount of \$18,487 for mail machines. The monthly payment for the first twelve months will be \$506 and \$713 thereafter.

16,639

In March 2015, the City entered into a capital lease arrangement in the amount of \$269,145 for police motorcycles. The interest rate is 3.59% with a monthly payment of \$7,877 through March 2018.

69,836

In June 2017, the City entered into a capital lease arrangement in the amount of \$309,466 for copiers. The interest rate is 0.10% with a monthly payment of \$5,320 through June 2022.

309,467

Total capital leases payable

\$ 622,677

TOTAL GOVERNMENTAL LONG TERM DEBT

\$25,796,629

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

c. Proprietary long-term debt at June 30, 2017 consisted of the following items:

2015 Refunding revenue bonds - Water Utility enterprise fund:

\$8,150,000 Refunding Revenue Bonds, Series 2015 were issued on October 1, 2015, for the current refunding of the remaining outstanding balance of the previously issued \$16,845,000 of the Refunding Revenue Certificate of Participation Series 2004. The refunding was undertaken to achieve debt service savings. Principal payments for 2015 Revenue certificates range from \$775,000 to \$985,000 and are due annually each December 15 through 2023. Interest is payable semi-annually on June 15 and December 15, at rates ranging from 1.0% to 5.0% over the life of the certificate. Such certificates are subject to Federal arbitrage regulations, however, no arbitrage liability is reported at June 30, 2017.

6,510,000

Total 2015 refunding revenue bonds

\$6,510,000

2015 Revenue certificates of participation - Water Utility enterprise fund - debt service coverage:

The Refunding Revenue Certificates of Participation were issued on October 1, 2015 for the current refunding of the 2004 Water Revenue Bond Refunding. The prior Refunding Revenue Certificates of Participation were issued on April 20, 2004 for prior refunding of the Water Revenue Bonds, Series 1993. These certificates of participation are to be secured and to be serviced from revenues derived by the ownership and operations of the water system including all connection charges and fees collected by the City through the fiscal year 2023. At June 30, 2017 total interest and principal remaining on the certificates is \$6,972,600. 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. Revenue recognized during the year was \$32.1 million against debt service payments of \$1,003,850. The following analysis shows the test result for compliance with this covenant:

Operating revenues	\$ 32,130,062
Non-operating revenues	<u>215,419</u>
Gross revenue	32,345,481
Less: Expenses (excluding depreciation amortization, interest and fiscal charges)	<u>(26,404,580)</u>
Net revenues	<u>\$ 5,940,901</u>
Debt service requirement for next year: \$1,006,350 x 125%	\$ 1,257,938

2010 Revenue Bonds - Water Utility enterprise fund:

\$16,625,000 Revenue Bonds, Series 2010, were issued on April 30, 2010 to finance the acquisition, expansion, construction and improvement of certain additional water facilities of the water system of the City. The bonds are secured and to be serviced from net revenues derived from the ownership or operation of the water system excluding proceeds from customers' deposits and any proceeds assessments restricted by law to be used by the City to pay parity obligations or other obligations. Revenue recognized during the year was \$32.1 million against debt service payments of \$1,372,640. The remaining

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

principal and interest requirements on the debt is \$19,418,995. The Bonds are due in annual principal installments of \$330,000 to \$4,125,000 beginning December 15, 2010 and is payable semiannually on June 15 and December 15 through December 2030. \$12,750,000

Unamortized bond premium 407,613

Total 2010 revenue bonds **\$13,157,613**

2017 Revenue Refunding Bond – Sewage Collection enterprise fund:

On March 1, 2017, the Garden Grove Sanitary District issued \$15,970,000 in bonds to provide funds to refinance the District's obligations to the 2006 Sewer Revenue Certificate of Participation. The Certificates were issued to finance the rehabilitation, replacement and improvement of the wastewater collection system of the Garden Grove Sanitation District. The 2017 Bonds are due in annual principal installments of \$600,000 to \$1,160,000 beginning June 15, 2017 through 2036. Interest rates range from 2.0% to 5.0% and is payable semiannually on June 15 and December 15.

The net proceeds of the bond issue were used to provide for the prepayment of the 2006 Certificates. The reacquisition price was less than the net carrying amount of the old debt by \$206,922. This amount is being reflected as a deferred inflow of resources and amortized over the life of the refunding debt. The refunding resulted in a reduction of its total debt service payments over 19 years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,184,981.

The certificates are secured and to be serviced from the total revenues for the fiscal year excluding any proceeds of taxes or assessments restricted by law and less the operations and maintenance costs excluding depreciation through the fiscal year 2036. \$15,370,000

Unamortized bond premium 1,370,627

Total 2017 revenue refunding bond **\$16,740,627**

2017 Revenue Refunding Bond – Sewage Collection enterprise fund - debt service coverage:

The Utility covenants that rates and charges for the sewer service will be sufficient to yield net revenues equal to 115% 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	\$ 10,288,835	
Non-operating revenues	<u>67,315</u>	
Gross revenue	10,356,150	
Less: Expenses (excluding depreciation, amortization, interest and fiscal charges)	<u>(4,424,963)</u>	
Net revenues	<u>\$ 5,931,187</u>	
Debt service requirement for next year:		
\$1,196,575x 115%	<u>\$ 1,376,061</u>	

TOTAL PROPRIETARY LONG TERM DEBT **\$36,408,240**

TOTAL LONG TERM DEBT **\$62,204,869**

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

d. Private-purpose trust activity long-term debt at June 30, 2017 consisted of the following items:

Tax allocation bonds issue of 2016:

\$42,000,000 Tax allocation bonds were issued on March 17, 2016. The SRDA issued the "2016 Bonds" in the aggregate principal amount necessary to provide net proceeds of \$42,000,000 pursuant to the first amended and restated disposition and development agreement dated April 13, 2010, to fund the Water Park Hotel. Interest on the bonds will be payable semiannually each April 1 and October 1, commencing October 1, 2016. The rates ranging from 1.0% to 5.0%. The "2016 Bonds" will be payable on a parity with the debt service on the 2014 Bonds to the extent set forth in the 2016 Bond Indenture. Such certificates are subject to federal arbitrage regulations. No arbitrage liability is reported at June 30, 2017.

\$36,540,000

Unamortized bond premium

5,863,248

Total Tax allocation bonds issue of 2016

\$42,403,248

Tax allocation refunding bonds issue of 2014:

\$38,810,000 Tax allocation refunding bonds were issued on July 16, 2014. The bonds were issued for the purpose of refunding the Garden Grove Agency for Community Development's previously issued \$57,025,000 community project tax allocation refunding bonds, Series 2003. Proceeds of the Series 2014 bonds will also be used (i) to fund a debt service reserve fund for the 2014 Bonds and (ii) to pay costs incurred in connection with the issuance, sale, and delivery of the 2014 Bonds.

Pledged revenue recognized during the year was \$3.88 million against the total debt service payment of \$3.88 million. Principal payments ranging from \$1,580,000 to \$3,330,000 are due annually starting October 1, 2014 through the year 2029. Interest is due semi-annually on October 1 and April 1, at rates ranging from 1.0% to 5.0%. Such bonds are subject to Federal arbitrage regulations; however, no liability is reported at June 30, 2017.

\$31,515,000

Unamortized bond premium

3,867,846

Total Tax allocation refunding bonds issue of 2014

\$35,382,846

Subordinate Note:

On June 1, 2008, the former redevelopment agency for Community Development entered into a note purchase agreement in the amount of \$2,015,000, to refund a note issued to Katella Cottages LLC under a Disposition and Development Agreement dated May 11, 2004. The Note has an annual interest rate of 6% with principal payments due annually on October 1 through October 1, 2027. Principal payments range from \$60,000 to \$170,000. Upon the dissolution of the former redevelopment agency at February 1, 2012, the outstanding balance of the bonds was transferred to the Successor Agency.

\$1,425,000

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

Agreements payable:

On June 2, 2008, the former redevelopment agency for Community Development entered into an agreement with Union Bank of California for a term loan in the amount of \$32,000,000 for the purpose of acquiring certain parcels of real property. The terms of the loan comprise of refunded capitalized interest rate of 4.22% for year 1 through 3, interest rate of Libor plus 0.75 basis points for year 4 and fully amortized loan with principal and interest payments of Libor plus 0.75 basis points for years 5 through 12. Upon the dissolution of the former redevelopment agency at February 1, 2012, the outstanding balance of the loan was transferred to the Successor Agency.

\$ 11,666,667

Total Private Purpose Trust Funds Long Term Debt

\$90,877,761

- e. The scheduled annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2017, including interest payments, are as follows:**

Year Ending June 30	Lease Revenue Bonds 2015A		
	Principal	Interest	Total
2018	\$ 425,000	\$ 1,075,450	\$ 1,500,450
2019	450,000	1,058,450	1,508,450
2020	465,000	1,040,450	1,505,450
2021	490,000	1,017,200	1,507,200
2022	515,000	992,700	1,507,700
2023-2027	2,980,000	4,551,250	7,531,250
2028-2032	3,805,000	3,735,000	7,540,000
2033-2037	4,675,000	2,860,600	7,535,600
2038-2042	5,695,000	1,836,400	7,531,400
2043-2045	4,100,000	416,750	4,516,750
Total	<u>\$ 23,600,000</u>	<u>\$ 18,584,250</u>	<u>\$ 42,184,250</u>

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2018	\$ 46,093	\$ 2,309	\$ 48,402
2019	23,732	470	24,202
Total	<u>\$ 69,825</u>	<u>\$ 2,779</u>	<u>\$ 72,604</u>

Year Ending June 30	Capital Leases Payable		
	Principal	Interest	Total
2018	\$ 231,875	\$ 16,786	\$ 248,661
2019	167,275	10,492	177,767
2020	91,918	5,946	97,864
2021	66,342	4,888	71,230
2022	65,167	1,345	66,512
Total	<u>\$ 622,577</u>	<u>\$ 39,457</u>	<u>\$ 662,034</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

f. The scheduled annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2017 including interest payments, are as follows:

Year Ending June 30	2010 Water Revenue Bonds		
	Principal	Interest	Total
2018	\$ 685,000	\$ 696,115	\$ 1,381,115
2019	705,000	671,740	1,376,740
2020	730,000	639,390	1,369,390
2021	770,000	601,890	1,371,890
2022	805,000	562,515	1,367,515
2023-2027	1,735,000	2,395,443	4,130,443
2028-2031	7,320,000	1,101,903	8,421,903
Total	<u>\$ 12,750,000</u>	<u>\$ 6,668,996</u>	<u>\$ 19,418,996</u>

Year Ending June 30	2015 Water Revenue Bonds		
	Principal	Interest	Total
2018	\$ 885,000	\$ 121,350	\$ 1,006,350
2019	895,000	103,550	998,550
2020	925,000	85,350	1,010,350
2021	935,000	66,750	1,001,750
2022	955,000	47,850	1,002,850
2023-2026	1,915,000	37,750	1,952,750
Total	<u>\$ 6,510,000</u>	<u>\$ 462,600</u>	<u>\$ 6,972,600</u>

Year Ending June 30	2017 Sewer Refunding Revenue Bonds		
	Principal	Interest	Total
2018	\$ 520,000	\$ 676,575	\$ 1,196,575
2019	540,000	660,975	1,200,975
2020	555,000	639,375	1,194,375
2021	590,000	611,625	1,201,625
2022	615,000	582,125	1,197,125
2023-2027	3,575,000	2,416,875	5,991,875
2028-2032	4,570,000	1,428,625	5,998,625
2033-2036	4,405,000	392,175	4,797,175
Total	<u>\$ 15,370,000</u>	<u>\$ 7,408,350</u>	<u>\$ 22,778,350</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

g. The scheduled annual requirements to amortize all the Successor Agency long-term debt outstanding as of June 30, 2017, including interest payments, are as follows:

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2016		
	Principal	Interest	Total
2018	\$ -	\$ 1,652,250	\$ 1,652,250
2019	-	1,652,250	1,652,250
2020	-	1,652,250	1,652,250
2021	1,900,000	1,614,250	3,514,250
2022	1,975,000	1,536,750	3,511,750
2023-2027	11,360,000	6,121,750	17,481,750
2028-2032	14,505,000	2,903,875	17,408,875
2033-2034	6,800,000	205,500	7,005,500
Total	<u>\$ 36,540,000</u>	<u>\$ 17,338,875</u>	<u>\$ 53,878,875</u>

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2014		
	Principal	Interest	Total
2018	\$ 2,505,000	\$ 1,380,425	\$ 3,885,425
2019	2,380,000	1,295,250	3,675,250
2020	2,685,000	1,193,950	3,878,950
2021	2,795,000	1,084,350	3,879,350
2022	2,905,000	970,350	3,875,350
2023-2027	13,425,000	2,716,375	16,141,375
2028-2029	4,820,000	362,500	5,182,500
Total	<u>\$ 31,515,000</u>	<u>\$ 9,003,200</u>	<u>\$ 40,518,200</u>

Year Ending June 30	Subordinate Note 2008		
	Principal	Interest	Total
2018	\$ 95,000	\$ 82,650	\$ 177,650
2019	100,000	76,800	176,800
2020	105,000	70,650	175,650
2021	115,000	64,050	179,050
2022	120,000	57,000	177,000
2023-2027	720,000	163,500	883,500
2028	170,000	5,100	175,100
Total	<u>\$ 1,425,000</u>	<u>\$ 519,750</u>	<u>\$ 1,944,750</u>

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2018	\$ 4,000,000	\$ 291,667	\$ 4,291,667
2019	4,000,000	191,667	4,191,667
2020	3,666,667	91,667	3,758,334
Total	<u>\$ 11,666,667</u>	<u>\$ 575,001</u>	<u>\$ 12,241,668</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

8. Compensated absences

The City accounts for compensated absences (unpaid vacation, annual leave, unused holiday, compensated time off, and sick leave) in the Employee Benefit internal service fund. The balance for accrued compensated absences at June 30, 2017 is \$10,093,122.

Vacation accrues for all employee groups other than Fire at 10 hours per month after 1 year of service, 12 hours per month after 9 years, 14 hours per month after 14 years, 17.25 hours per month after 19 years, and 20.50 hours per month after 24 years. The maximum an employee may accumulate is an amount equivalent to 2 full calendar years of service. The maximum management may accumulate is an amount equivalent to 2 full calendar years of service plus 40 hours.

Annual leave accrues for all firemen at 18 hours per month from date of hire through 1 year, 22 hours per month after 1 year, 24 hours per month after 4 years, 26 hours per month after 9 years, 28 hours per month after 14 years, 30 hours per month after 19 years, and 33 hours per month after 24 years. Annual leave accrues for all fire management at 17 hours per month from date of hire through 1 year, 22 hours per month after 1 year, 25 hours per month after 9 years, 28 hours per month after 14 years, 31.25 hours per month after 19 years, 34.5 hours per month after 24 years. The maximum a fire employee may accumulate is an amount equivalent to 2 full calendar years of service plus 72 hours. Accumulated vacation, annual leave benefits and comp time, payable in future years when used by City employees, totaled \$6,124,197 at June 30, 2017.

Sick leave is accumulated on the basis of 8 hours for each month of service beginning from the date of hire for all employee groups other than police and fire. Police employees accumulate on the basis of 10 hours for each month of service beginning from the date of hire. Fire employees do not accumulate sick leave benefits since converting to the annual leave benefit. The City has adopted a policy for payment of unused sick leave benefits at time of retirement. Employees can be paid 50% for all unused hours up to 1000, police employees 100% of up to 750 unused hours, and management employees 50% of all unused hours. Studies have indicated that only 33 percent of all accumulated sick leave is actually used by employees, therefore, the sick leave liability is estimated at 33 percent of the total accumulated benefit, or \$3,968,925 at June 30, 2017.

A calculated fringe benefit rate, which includes accrued compensated absences, workers' compensation, retirement and medical benefits, is applied to all labor charges. The resulting funds are deposited into internal service funds and are set aside for corresponding liabilities, which are fully funded by sufficient cash and investment in that fund. Compensated absences are liquidated using the employee benefits internal service fund's available net position.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Vacation, annual leave, benefits, and comp time	\$ 6,031,512	\$ 5,672,741	\$ (5,580,056)	\$ 6,124,197	\$ 5,328,052
Sick leave:	3,995,736	1,326,815	(1,353,626)	3,968,925	3,452,964
	<u>\$ 10,027,248</u>	<u>\$ 6,999,556</u>	<u>\$ (6,933,682)</u>	<u>\$ 10,093,122</u>	<u>\$ 8,781,016</u>

9. Risk management

The City utilizes a program to self-insure for workers' compensation liability for the first \$1 million, per occurrence, for injury or occupational illness to City employees pursuant to Workers' Compensation Laws of the State of California. The City contracts with a third party who administers the program and acts as the representative of the City in claim hearings and litigation. Excess coverage is placed with a joint powers authority for losses from \$1 million up to the statutory limit per occurrence. This self-insurance program is accounted for in the Workers' Compensation internal service fund. There is an estimated liability of \$27,323,001 for claims outstanding including claims incurred but not reported on June 30, 2017, which has been included as liabilities in the Workers' Compensation internal service fund.

The City also has a self-insured program for its tort and civil liabilities. The City is self-insured for the first \$2 million of each occurrence. Excess liability insurance is carried thereafter to \$30 million

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

per occurrence with commercial insurers. Claims administration and adjusting services are provided by contract with a third party administrator specializing in public entity liability. Representation in matters of litigation is performed through the retaining of outside law firms and is supervised by the city attorney. This self-insurance program is accounted for in the Risk Management internal service fund.

The City estimates a liability for claims outstanding, including claims incurred but not reported, on June 30, 2017, in the amount of \$4,526,000 which has been included as liabilities in the Risk Management internal service fund.

The City is a defendant in various lawsuits. Attempts are made to settle these cases or proceed to trial as recommended by the attorney. The City believes that it has meritorious defenses to the allegations contained in the cases. However, the City has accrued and reserved reasonable amounts based on the actuarial analysis and attorney recommendations to cover the potential losses to the extent the exposures are deemed probable and estimable.

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, 2017. Non-incremental claims adjustment expenses have been included as part of the liability for claims and judgments. Changes in the aggregate liability for claims for fiscal year ended June 30, 2017 and June 30, 2016 are as follows:

	<u>2017</u>	<u>2016</u>
<u>Workers' Compensation</u>		
Liability, July 1	\$ 25,595,000	\$ 21,858,000
Costs and claims incurred	6,974,860	7,806,388
Claim payments	(5,246,859)	(4,069,388)
Liability, June 30	<u>\$ 27,323,001</u>	<u>\$ 25,595,000</u>
Due within one year	\$ 4,658,125	\$ 4,151,459
Due in more than one year	22,664,877	21,443,541
	<u>\$ 27,323,001</u>	<u>\$ 25,595,000</u>
<u>Risk Management</u>		
Liability, July 1	\$ 4,145,000	\$ 5,378,000
Costs and claims incurred	1,030,276	(800,401)
Claim payments	(649,276)	(432,599)
Liability, June 30	<u>\$ 4,526,000</u>	<u>\$ 4,145,000</u>
Due within one year	\$ 540,938	\$ 744,344
Due in more than one year	3,985,062	3,400,656
	<u>\$ 4,526,000</u>	<u>\$ 4,145,000</u>

10. Public Employees' Retirement System

a. General information about the pension plans

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

adopts those benefits through local ordinance. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. Key components of the legislation are as follows:

- Establishes PEPRA which applies to all public employers and public pension plans on and after January 1, 2013 (except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payment from being counted as compensation; and
- Increases retirement age for all new public employees.

Each employee contributes toward his or her retirement based upon the retirement formula. Under PEPRA, the mandated employee contribution rate is one half of the normal cost as determined annually by CalPERS for the City when the actuarial valuation of the plans are performed. Active PEPRA plan members in the Miscellaneous Plan of the City are required to contribute 6.00% of reportable earnings for a 2.0% at 62 retirement plan. Active PEPRA plan members in the Safety Plan of the City are required to contribute 11.00% of reportable earnings for a 2.7% at 57 retirement plan. Active "Classic" plan members in the Miscellaneous Plan of the City are required to contribute 8.00% of reportable earnings for a 2.5% at 55 retirement plan. Active "Classic" plan members in the Safety Plan of the City are required to contribute 9.00% of reportable earnings for a 3.0% at 50 retirement plan.

The required employer contribution rates for fiscal year ended June 30, 2017 under PEPRA are the same as the employer contribution rates for existing miscellaneous employees and public safety employees.

Benefits provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous</u>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date	1, 2013	January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.00%
Required employer contribution rates	25.846%	25.846%

	<u>Safety</u>	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date	1, 2013	January 1, 2013
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	11.00%
Required employer contribution rates	45.265%	45.265%

Employees covered - At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	<u>Misc</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	578	434
Inactive employees entitled to but not yet receiving benefits	440	96
Active employees	385	241
Total	<u>1,403</u>	<u>771</u>

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2017**

b. Net pension liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance. Floor on Purchasing Power applies, 2.75% thereafter

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained on the CalPERS' website under Forms and Publications.

Change of Assumptions

There were no changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans for PERF A, B, and C funds), expected compound (geometric) returns were calculated over

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	Current Target	Real Return Years 1 – 10¹	Real Return Years 11+²
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99%	2.43%
Inflation Sensitive	6.0	0.45%	3.36%
Private Equity	10.0	6.83%	6.95%
Real Estate	10.0	4.50%	5.13%
Infrastructure and Forestland	2.0	4.50%	5.09%
Liquidity	1.0	(0.55%)	(1.05%)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

Subsequent Events

In December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5 percent over the next three years. For public agencies, the discount rate change approved by the Board for the next three fiscal years ending June 30, 2019, 2020, and 2021 are 7.375 percent, 7.25 percent and 7.00 percent, respectively.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net Difference between projected and actual earnings on investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lifetime (EARLS) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

c. Changes in net pension liability

The following table shows the changes in the Net Pension Liability for each plan:

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2015 ¹	\$ 270,583,294	\$ 197,193,550	\$ 73,389,744
Changes in the year:			
Service cost	4,717,431	-	4,717,431
Interest on the total pension liability	20,513,676	-	20,513,676
Changes of benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between actual and expected experience	1,501,168	-	1,501,168
Plan to Plan Resource Movement	-	(69,973)	69,973
Contribution - employer	-	6,646,792	(6,646,792)
Contribution - employee	-	2,242,990	(2,242,990)
Net Investment income	-	1,004,774	(1,004,774)
Benefit payments, including refunds of employee contributions	(12,581,087)	(12,581,087)	-
Administrative expense	-	(120,179)	120,179
Net changes	14,151,188	(2,876,683)	17,027,871
Balance at June 30, 2016 ¹	\$ 284,734,482	\$ 194,316,867	\$ 90,417,615

¹ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

Safety Plan:	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2015 ¹	<u>\$ 449,189,682</u>	<u>\$ 313,136,552</u>	<u>\$ 136,053,130</u>
Changes in the year:			
Service cost	7,378,575	-	7,378,575
Interest on the total pension liability	33,944,797	-	33,944,797
Changes of benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between actual and expected experience	2,203,036	-	2,203,036
Plan to Plan Resource Movement	-	-	-
Contribution - employer	-	11,468,654	(11,468,654)
Contribution - employee	-	2,915,098	(2,915,098)
Net Investment income	-	1,532,436	(1,532,436)
Benefit payments, including refunds of employee contributions	(22,718,361)	(22,718,361)	-
Administrative Expense	-	(190,840)	190,840
Net changes	<u>20,808,047</u>	<u>(6,993,013)</u>	<u>27,801,060</u>
Balance at June 30, 2016 ¹	<u>\$ 469,997,729</u>	<u>\$ 306,143,539</u>	<u>\$ 163,854,190</u>

¹ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of each Plan, calculated using the discount rate for each Plan, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Miscellaneous	Safety
1% Lower	6.65%	6.65%
Net Pension Liability	\$ 129,193,847	\$ 226,969,771
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 90,417,615	\$ 163,854,190
1% Higher	8.65%	8.65%
Net Pension Liability	\$ 58,517,300	\$ 112,037,242

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports and can be obtained on the CalPERS website.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

d. Pension expenses and deferred outflows/inflows of resources related to pensions

For the year ended June 30, 2017, the City recognized pension expenses of \$8,059,815 and \$14,207,392 for Miscellaneous Plan and Safety Plan, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,562,131	\$ -
Changes in assumptions	-	(1,268,608)
Differences between expected and actual experiences	923,796	(261,304)
Net difference between projected and actual earnings on pension plan investments	10,643,855	-
Total	<u>\$ 19,129,782</u>	<u>\$ (1,529,912)</u>

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 13,302,273	\$ -
Changes in assumptions	-	(3,570,156)
Differences between expected and actual experiences	1,591,082	(2,071,116)
Net difference between projected and actual earnings on pension plan investments	16,845,813	-
Total	<u>\$ 31,739,168</u>	<u>\$ (5,641,272)</u>

\$7,562,131 and \$13,302,273 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Miscellaneous Plan	Safety Plan
Measurement Periods Ended June 30	Deferred Outflows/ (Inflows) of Resources	Deferred Outflows/ (Inflows) of Resources
2017	\$ 542,667	\$ (581,547)
2018	1,841,633	828,772
2019	4,872,575	8,135,726
2020	2,780,864	4,412,671
Total	<u>\$ 10,037,739</u>	<u>\$ 12,795,622</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

11. Postemployment benefits

a. Plan Description

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

b. Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a PERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 514 eligible active employees and 262 enrolled eligible retirees at June 30, 2017. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

c. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements effective January 1, 2007. The City's contribution rates were \$128 and \$125 per month for each retiree for the calendar years ended 2017 and 2016, respectively. For the fiscal year ended June 30, 2017, the City contributed \$391,489 to the plan. Plan members receiving benefits contributed \$2,263,987 (approximately 85% of total premiums) through their required contribution.

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

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	<u>June 30, 2017</u>
Annual required contribution	\$ 1,578,270
Interest on net OPEB obligation	260,860
Adjustment to annual required contribution	<u>(386,459)</u>
Annual OPEB cost (expense)	1,452,671
Contributions made	<u>(391,489)</u>
Increase in net OPEB obligation	1,061,182
Net OPEB Obligation, Beginning of Year	<u>5,796,882</u>
Net OPEB Obligation, End of Year	<u><u>\$ 6,858,064</u></u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

The Net OPEB Obligation, Beginning of Year was adjusted due to changes in actuarial assumptions.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/15	\$ 1,345,861	26.4%	\$ 4,956,339
6/30/16	1,274,807	22.0%	5,796,882
6/30/17	1,452,671	21.0%	6,858,064

d. Funding Status and Progress

<u>Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (Excess Assets)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability % of Payroll</u>
3/1/2017	\$ 15,162,448	\$ -	\$15,162,448	0.0%	\$ 7,650,808	198.2%

The actuarial valuation as of 3/1/2017 is the most recent actuarial valuation available.

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

e. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 4.5 percent investment rate of return, which is based on assumed long-term investment returns on plan assets and on the City's assets, as appropriate, and an annual healthcare cost trend rate of 4 percent annual. Both rates included a 2.75 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 15 years using a closed amortization period. It is assumed the City's payroll will increase 2.75 percent per year. The assumptions used for determining the contribution requirements are the same as the assumptions used in the calculation of the funded status.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

12. Non-committal debt

- a. Garden Grove Housing Authority Variable Rate Demand Multifamily Housing Revenue Bonds, Series A of 1990, for \$12,000,000 were issued as an obligation of the Housing Authority. These bonds are not reflected in the City’s financial statements since the use and disposition of the bond proceeds are controlled by an outside trustee, rather than the City, and since neither the Housing Authority, nor the City, is, in any event, liable for the payment of the principal or interest on the bonds. The bonds were issued to provide funds for the cost of developing the Valley View Senior Village, a multifamily rental housing project in the City. As of June 30, 2017, the balance outstanding was \$9,100,000.

13. Commitments and contingencies

a. Grants

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

b. Construction Commitments

The City has active construction projects as of June 30, 2017. City project commitments includes street improvements, storm drain improvements and traffic improvements. Proprietary fund project commitments include water main improvements, water reservoir rehabilitation projects and sewer main improvements. At fiscal year-end, the City’s construction project commitments with contractors are as follows:

	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Street Improvements	\$ 1,003,538	\$ 2,835,009
Strom Drain Improvements	365,504	190,256
City Capital Improvements	1,387,873	8,359,528
Water Improvements	2,806,545	1,258,486
Sewer Improvements	2,151,482	1,585,184
Total	<u>\$ 7,714,942</u>	<u>\$ 14,228,463</u>

14. Low Income Housing Loan Programs

The Community Development Agency offers a variety of loans for down payment assistance to first time low or moderate income homebuyers and rental and home rehabilitation assistance to eligible low and moderate income persons. This financial assistance is provided in the form of deferred second mortgages, secured by promissory notes and deeds of trust on the property. For some of the second mortgage loans payment becomes due upon the sale of the property or if the property no longer qualifies as the applicant’s principal residence. The balance of these loans at June 30, 2017 totaled \$402,300 for a total of twenty-two individual loans. Each of these loans have unique requirements and terms to that individual. These loans were expensed when made and repayments are recorded as revenues in the year received.

15. Joint Venture

The City participates in the Anaheim-Garden Grove-Orange Fire Training Facility Authority (the “Authority”), a joint powers authority created to finance fire training and dispatching facilities. The City Council of each city appoints one representative to the three-member Board of Directors. The City’s proportionate share in the authority is 22.0%. Because the City is not financially accountable, the Authority is not considered part of the City’s reporting entity. Separate financial statements are not issued.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

16. Tax Abatements

The City of Garden Grove enters into various tax abatement agreements for the purpose of attracting and retaining businesses within the City. The Garden Grove Agency for Community Development also entered into three such agreements specific to hotel developments that are now the enforceable obligations of the Successor Agency pursuant to the 2011 Redevelopment Agency Dissolution Act.

In 2016, the City approved an Amended and Restated Operating Covenant Agreement with California Fuels and Lubricants for business retention purposes pursuant to Senate Bill 562. The Amended Agreement effective July 1, 2016 provides for economic development assistance in form of varying revenue sharing ratios of the amount of sales tax revenue generated in excess of \$200,000 annually for a period of 20 years. For Fiscal Year 2016-17, California Fuels and Lubricants received assistance payments of \$141,958.

In 1998, the former Successor Agency entered into an Owner Participation Agreement with Gateway Properties for the development of the Hyatt Hotel Gateway. The term of this Agreement is for a period of 17-years and performance based assistance began in Fiscal Year 2001-02. The performance based assistance is an amount equal to 75% of the Transient Occupancy Tax and 75% of the Tax Increment Revenues up to a maximum amount of \$19.8 million. Approximately \$2,955,984 was due to Gateway Properties for Fiscal Year 2016-17. This amount is an approved enforceable obligation of the Successor Agency, and will be paid via the State of California approved Recognized Obligation Payments Schedule.

In 2000, the former Garden Grove Agency for Community Development entered into an Owner Participation Agreement with Tarsadia Hotels dba RIGG Hotels LLC for the construction of a Residence Inn. The term of this Agreement is for a period of 17-years and the performance based assistance began in Fiscal Year 2003-04. The performance based assistance is an amount equal to 75% of the Transient Occupancy Tax and 75% of the Tax Increment Revenues up to a maximum amount of \$16 million. Approximately \$1,312,814 was due to RIGG Hotels for Fiscal Year 2016-17. This amount is an approved enforceable obligation of the Successor Agency, and will be paid via the State of California approved Recognized Obligation Payments Schedule.

In 2010, the Successor Agency entered into an agreement with Garden Grove MXD, LLC for the construction of the Great Wolf Lodge. The performance based assistance began in 2015-16 and is based on the Transient Occupancy Tax rate. If the Transient Occupancy Tax rate charged by the City impacts an agreed upon Transient Occupancy Tax rate differential with a neighboring City, an amount will be rebated to the developer equal to the total room revenue multiplied by that Transient Occupancy Tax differential. The amount of Transient Occupancy Tax to be rebated to Garden Grove MXD, LLC for the Fiscal Year 2016-17 is approximately \$634,000. This amount is an approved enforceable obligation of the Successor Agency, and will be paid via the State of California approved Recognized Obligation Payments Schedule.

17. Prior Period Adjustment

GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

A prior period adjustment was made to the beginning net position/fund balance of the Government-Wide Financial Statements and the Fund Financial Statements. Accumulated depreciation in the Sewage Collection Enterprise Fund was understated in the prior year. As a result, a restatement of net position as of the beginning of the year was needed to properly account for the correction.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2017**

The aforementioned adjustments result in the following restatement to net position at July 1, 2016:

	<u>Sewage Collection Fund</u>	<u>Business-type Activities</u>
Net position at July 1, 2016, as previously stated	\$ 76,656,224	\$ 143,498,947
Prior period adjustment:		
Accumulated depreciation adjustment	<u>(3,112,740)</u>	<u>(3,112,740)</u>
Net position at July 1, 2016, as restated	<u>\$ 73,543,484</u>	<u>\$ 140,386,207</u>

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Required Supplemental Information

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**CITY OF GARDEN GROVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AGENT MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
THE LAST TEN FISCAL YEARS***

Measurement Period	Miscellaneous		
	2016-2017	2015-2016	2014-2015
TOTAL PENSION LIABILITY			
Service cost	\$ 4,717,431	\$ 4,505,053	\$ 4,722,338
Interest on total pension liability	20,513,676	19,499,703	18,697,528
Changes in benefit terms	-	-	-
Difference between expected and actual experience	1,501,168	(1,007,886)	-
Changes of assumptions	-	(4,893,202)	-
Benefit payments, including refunds of employee contributions	(12,581,087)	(12,134,038)	(11,490,804)
Net change in total pension liability	14,151,188	5,969,630	11,929,062
Total pension liability - beginning	270,583,294	264,613,664	252,684,602
Total pension liability - ending (a)	\$ 284,734,482	\$ 270,583,294	\$ 264,613,664
PLAN FIDUCIARY NET POSITION			
Contribution - Employer	\$ 6,646,792	\$ 5,948,472	\$ 5,101,581
Contribution - Employee	2,242,990	2,281,790	2,070,127
Net investment income ⁽²⁾	1,004,774	4,419,750	29,571,239
Benefit payments, including refunds of employee contributions	(12,581,087)	(12,134,038)	(11,490,804)
Net Plan to Plan Resource Movement	(69,973)	-	-
Administrative Expense	(120,179)	(221,880)	-
Net change in fiduciary net position	(2,876,683)	294,094	25,252,143
Plan fiduciary net position - beginning	197,193,550	196,899,456	171,647,313
Plan fiduciary net position - ending (b)	\$ 194,316,867	\$ 197,193,550	\$ 196,899,456
Plan net pension liability - ending (a) - (b)	\$ 90,417,615	\$ 73,389,744	\$ 67,714,208
Plan fiduciary net position as a percentage of the total pension liability	68.24%	72.88%	74.41%
Covered payroll	\$ 28,573,176	\$ 27,094,801	\$ 27,060,561
Plan net pension liability as a percentage of covered-employee payroll	316.44%	270.86%	250.23%

*Historical information is required only for measurement periods for which GASB 68 is applicable

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts were reported on the 7.5 percent discount rate.

**CITY OF GARDEN GROVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AGENT MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
THE LAST TEN FISCAL YEARS***

Measurement Period	Safety		
	2016-2017	2015-2016	2014-2015
TOTAL PENSION LIABILITY			
Service cost	\$ 7,378,575	\$ 7,025,519	\$ 7,433,857
Interest on total pension liability	33,944,797	32,447,673	31,439,433
Changes in benefit terms	-	-	-
Difference between expected and actual experience	2,203,036	(4,660,010)	-
Changes of assumptions	-	(8,032,852)	-
Benefit payments, including refunds of employee contributions	(22,718,361)	(21,846,674)	(20,185,546)
Net change in total pension liability	20,808,047	4,933,656	18,687,744
Total pension liability - beginning	449,189,682	444,256,026	425,568,282
Total pension liability - ending (a)	\$ 469,997,729	\$ 449,189,682	\$ 444,256,026
PLAN FIDUCIARY NET POSITION			
Contribution - Employer	\$ 11,468,654	\$ 10,155,643	\$ 9,427,732
Contribution - Employee	2,915,098	2,611,738	2,439,710
Net investment income ⁽²⁾	1,532,436	6,960,883	47,553,580
Benefit payments, including refunds of employee contributions	(22,718,361)	(21,846,674)	(20,185,546)
Net Plan to Plan Resource Movement			
Administrative Expense	(190,840)	(352,473)	-
Net change in fiduciary net position	(6,993,013)	(2,470,883)	39,235,476
Plan fiduciary net position - beginning	313,136,552	315,607,435	276,371,959
Plan fiduciary net position - ending (b)	\$ 306,143,539	\$ 313,136,552	\$ 315,607,435
Plan net pension liability - ending (a) - (b)	\$ 163,854,190	\$ 136,053,130	\$ 128,648,591
Plan fiduciary net position as a percentage of the total pension liability	65.14%	69.71%	71.04%
Covered payroll	\$ 27,481,750	\$ 26,325,623	\$ 26,592,225
Plan net pension liability as a percentage of covered-employee payroll	596.23%	516.81%	483.78%

*Historical information is required only for measurement periods for which GASB 68 is applicable

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts were reported on the 7.5 percent discount rate.

**CITY OF GARDEN GROVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
AGENT MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
THE LAST TEN FISCAL YEARS***

	Miscellaneous			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 7,562,131	\$ 6,646,792	\$ 5,948,472	\$ 5,101,581
Contributions in relation to the actuarially determined contributions	<u>(7,562,131)</u>	<u>(6,646,792)</u>	<u>(5,948,472)</u>	<u>(5,101,581)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 29,258,419	\$ 28,573,176	\$ 27,094,801	\$ 27,060,561
Contributions as a percentage of covered-employee payroll	25.85%	23.26%	21.95%	18.85%

* Historical information is required only for measurement periods for which GASB 68 is applicable

Notes to Schedule of Plan Contributions:

Valuation date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method/period	For details, see June 30, 2013 Funding Valuation Report.
Asset valuation method	Market value fo assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.
Other information	For changes to previous year's information, refer to past GASB 68 reports.

**CITY OF GARDEN GROVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
AGENT MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS
THE LAST TEN FISCAL YEARS***

	Safety			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 13,302,273	\$ 11,468,654	\$ 10,155,643	\$ 9,427,732
Contributions in relation to the actuarially determined contributions	<u>(13,302,273)</u>	<u>(11,468,654)</u>	<u>(10,155,643)</u>	<u>(9,427,732)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 29,387,548	\$ 27,481,750	\$ 26,325,623	\$ 26,592,225
Contributions as a percentage of covered-employee payroll	45.26%	41.73%	38.58%	35.45%

* Historical information is required only for measurement periods for which GASB 68 is applicable

Notes to Schedule:

Valuation date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method/period	For details, see June 30, 2013 Funding Valuation Report.
Asset valuation method	Market value fo assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.
Other information	For changes to previous year's information, refer to past GASB 68 reports.

**CITY OF GARDEN GROVE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
March 1, 2013	\$ -	\$ 10,633,859	\$ 10,633,859	0.0%	\$ 6,528,958	162.9%
March 1, 2015	-	14,267,570	14,267,570	0.0%	6,768,141	210.8%
March 1, 2017	-	15,162,448	15,162,448	0.0%	7,650,808	198.2%

**CITY OF GARDEN GROVE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 89,221,472	89,221,472	\$ 94,218,564	\$ 4,997,092
Licenses and permits	1,221,534	1,221,534	1,633,605	412,071
Fines, forfeits and penalties	2,013,470	2,013,470	1,807,091	(206,379)
Investment earnings	1,069,000	1,069,000	1,127,046	58,046
Charges for current services	6,656,270	6,656,270	6,659,097	2,827
From other agencies	416,517	416,517	356,894	(59,623)
Other revenues	1,733,798	1,833,798	3,184,779	1,350,981
Total revenues	<u>102,332,061</u>	<u>102,432,061</u>	<u>108,987,076</u>	<u>6,555,015</u>
EXPENDITURES:				
Current:				
Fire	22,664,152	22,717,551	23,390,123	(672,572)
Police	51,838,928	51,892,829	51,636,194	256,635
Traffic safety	2,449,005	2,469,005	2,254,340	214,665
Public right of way	5,099,513	5,048,563	5,010,630	37,933
Community buildings	3,576,534	3,470,520	3,185,118	285,402
Community services	2,889,515	3,080,729	2,979,770	100,959
Economic development	2,178,230	2,278,230	455,307	1,822,923
Parks and greenbelts	1,239,593	1,239,593	1,162,029	77,564
Community planning and development	6,929,170	6,916,836	5,389,062	1,527,774
Municipal support	7,993,126	8,095,497	7,494,817	600,680
Capital outlay:				
Fire	-	15,000	-	15,000
Police	40,000	40,000	-	40,000
Traffic safety	374,800	374,800	202,994	171,806
Public right of way	44,113	442,171	415,059	27,112
Community buildings	-	-	10,965	(10,965)
Community services	5,500	5,500	-	5,500
Parks and greenbelts	-	183,000	183,000	-
Community planning and development	-	-	202,007	(202,007)
Municipal support	-	-	-	-
Debt service:				
Principal retirement	2,141,734	2,141,734	2,142,389	(655)
Interest and other charges	1,148,518	1,148,518	1,156,976	(8,458)
Bond issuance costs	-	-	-	-
Total expenditures	<u>110,612,431</u>	<u>111,560,076</u>	<u>107,270,780</u>	<u>4,289,296</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,280,370)</u>	<u>(9,128,015)</u>	<u>1,716,296</u>	<u>10,844,311</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,600,000	2,600,000	841,107	(1,758,893)
Transfers out	(713,005)	(713,005)	(554,894)	158,111
Issuance of bonds	-	-	-	-
Premium on bonds	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Proceeds from sale of capital assets	2,500,000	2,500,000	2,793,624	293,624
Total other financing sources (uses)	<u>4,386,995</u>	<u>4,386,995</u>	<u>3,079,837</u>	<u>(1,307,158)</u>
Net change in fund balance	<u>(3,893,375)</u>	<u>(4,741,020)</u>	<u>4,796,133</u>	<u>9,537,153</u>
Fund balance (deficit), beginning of year	<u>35,071,553</u>	<u>35,071,553</u>	<u>35,071,553</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 31,178,178</u>	<u>\$ 30,330,533</u>	<u>\$ 39,867,686</u>	<u>\$ 9,537,153</u>

See accompanying note to required supplementary information.

CITY OF GARDEN GROVE
HOME Grant Special Revenue Fund
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	974	974
Charges for current services	-	-	-	-
From other agencies	555,556	555,556	549,501	(6,055)
Other revenues	-	-	115,298	115,298
Total revenues	<u>555,556</u>	<u>555,556</u>	<u>665,773</u>	<u>110,217</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	1,125,254	1,125,254	199,945	925,309
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,125,254</u>	<u>1,125,254</u>	<u>199,945</u>	<u>925,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(569,698)</u>	<u>(569,698)</u>	<u>465,828</u>	<u>1,035,526</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(569,698)	(569,698)	465,828	1,035,526
Fund balance (deficit), beginning of year	<u>5,007,567</u>	<u>5,007,567</u>	<u>5,007,567</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 4,437,869</u>	<u>\$ 4,437,869</u>	<u>\$ 5,473,395</u>	<u>\$ 1,035,526</u>

See accompanying note to required supplementary information.

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CITY OF GARDEN GROVE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

The legal level of budgetary control is considered to be at the fund level since management can reassign resources within a fund without special approval from City Council. 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.

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Other Supplemental Information

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CITY OF GARDEN GROVE SPECIAL REVENUE FUNDS

Public Safety Fund

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

State Gas Tax Fund

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

Golf Course Fund

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

Self Supporting Revenue Fund

Recreation programs that are self supporting are accounted for in this fund.

Developer Fees Fund

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

Garden Grove Cable Fund

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

The purpose of this fund is to provide an accounting for the maintenance of parks within the City. Revenues for this fund are received from property taxes collected by the County of Orange.

Main Street District Fund

This fund is used to account for the maintenance of improvements on Main Street in downtown Garden Grove. Revenue for this fund are received from a property tax levy on the main street area.

Air Quality Improvement Fund

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

Other Grants and Contributions Fund

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

**CITY OF GARDEN GROVE
SPECIAL REVENUE FUNDS (CONTINUED)**

Garden Grove Tourism Improvement District

This fund is used to account for the tourism marketing efforts through the Anaheim/Orange County Visitors and Convention Bureau and other activities and improvements that promote tourism in the Garden Grove Tourism Improvement District area.

Street Rehabilitation Fund

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

CAPITAL PROJECTS FUNDS

Housing Successor Agency Fund

Capital projects for low and moderate income housing are accounted for in this fund.

Housing Authority Assets Fund

Capital projects with the Civic Center area are accounted for in this fund.

Public Safety Fund

Capital projects with Public Safety are accounted for in this fund.

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**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
ASSETS				
Cash and investments	\$ 1,100,519	\$ 4,019,670	\$ 762,981	\$ 64,634
Cash with fiscal agents	-	-	-	-
Taxes receivable	-	-	-	-
Accounts receivable	126,697	-	21,444	3,851
Interest receivable	1,618	9,342	-	-
Deposits and prepaid items	-	-	-	-
Intergovernmental receivable	16,331	-	-	-
Notes receivable	-	-	-	-
Allowance	-	-	-	-
Land held for resale	-	-	-	-
Total assets	<u>\$ 1,245,165</u>	<u>\$ 4,029,012</u>	<u>\$ 784,425</u>	<u>\$ 68,485</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 43,723	\$ 57,615	\$ -	\$ 10,794
Other accrued liabilities	11,103	67,011	-	31,075
Refundable deposits	-	-	-	26,616
Due to other funds	-	-	-	-
Total liabilities	<u>\$ 54,826</u>	<u>\$ 124,626</u>	<u>\$ -</u>	<u>\$ 68,485</u>
Deferred Inflows of Resources:				
Unavailable Revenue	-	-	914	-
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>914</u>	<u>-</u>
Fund balances:				
Restricted:				
Public safety	1,190,339	-	-	-
Public right of way	-	3,904,386	-	-
Drainage	-	-	-	-
Community planning and development	-	-	783,511	-
Community services	-	-	-	-
Municipal support and services	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>1,190,339</u>	<u>3,904,386</u>	<u>783,511</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,245,165</u>	<u>\$ 4,029,012</u>	<u>\$ 784,425</u>	<u>\$ 68,485</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Main Street District	Air Quality Improvement
\$ 3,383,823	\$ -	\$ 82,522	\$ 21,497	\$ 196,088	\$ 373,717
-	-	-	-	-	-
-	-	9,463	5,105	-	-
14,939	23,891	1,286	90,871	-	58,151
8,219	-	11	-	469	784
-	3,749	-	-	-	-
-	-	-	-	-	57,555
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 3,406,981	\$ 27,640	\$ 93,282	\$ 117,473	\$ 196,557	\$ 490,207
\$ 107,870	\$ 1,083	\$ 47,440	\$ 16,551	\$ 85	\$ 1,818
-	7,446	5,227	2,828	-	961
-	-	-	-	-	-
-	19,111	-	-	-	-
\$ 107,870	\$ 27,640	\$ 52,667	\$ 19,379	\$ 85	\$ 2,779
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
187,842	-	40,615	-	196,472	487,428
528,880	-	-	-	-	-
1,848,281	-	-	98,094	-	-
734,108	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,299,111	-	40,615	98,094	196,472	487,428
\$ 3,406,981	\$ 27,640	\$ 93,282	\$ 117,473	\$ 196,557	\$ 490,207

(continued)

**CITY OF GARDEN GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017**

	Special Revenue Funds		
	Other Grants and Contributions	GG Tourism Improvement District	Street Rehabilitation
ASSETS			
Cash and investments	\$ 1,723,552	\$ 881,714	\$ 2,283,354
Cash with fiscal agents	-	-	-
Taxes receivable	-	-	-
Accounts receivable	151,565	-	-
Interest receivable	1,370	-	5,907
Deposits and prepaid items	-	-	-
Intergovernmental receivable	843,066	-	513,571
Notes receivable	3,019,678	-	-
Allowance for note receivable	(1,551,241)	-	-
Land held for resale	-	-	-
Total assets	<u>\$ 4,187,990</u>	<u>\$ 881,714</u>	<u>\$ 2,802,832</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 235,415	\$ 881,714	\$ 525,886
Other accrued liabilities	37,768	-	29,301
Refundable deposits	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>273,183</u>	<u>881,714</u>	<u>555,187</u>
Deferred Inflows of Resources:			
Unavailable Revenue	113,191	-	50,000
Total Deferred Inflows	<u>113,191</u>	<u>-</u>	<u>50,000</u>
Fund balances:			
Restricted			
Police	277,949	-	-
Public right of way	1,419,232	-	2,197,645
Drainage	-	-	-
Community planning and development	1,893,080	-	-
Community services	211,355	-	-
Municipal support and services	-	-	-
Unassigned	-	-	-
Total fund balances (deficits)	<u>3,801,616</u>	<u>-</u>	<u>2,197,645</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,187,990</u>	<u>\$ 881,714</u>	<u>\$ 2,802,832</u>

Capital Projects Funds			Total
Housing Successor Agency	Housing Authority Assets	Public Safety	Nonmajor Governmental Funds
\$ 704,604	\$ 487,046	\$ -	\$ 16,085,721
-	-	8,514,173	8,514,173
-	-	-	14,568
1,716	1,714	21,302	517,427
1,705	1,097	-	30,522
1,750	2,750	-	8,249
-	-	-	1,430,523
4,716,174	1,739,701	-	9,475,553
(2,199,864)	-	-	(3,751,105)
2,995,594	-	-	2,995,594
\$ 6,221,679	\$ 2,232,308	\$ 8,535,475	\$ 35,321,225
\$ 2,133	\$ -	\$ 245,259	\$ 2,177,386
2,703	-	-	195,423
-	-	-	26,616
-	-	237,402	256,513
4,836	-	482,661	2,655,938
-	-	-	164,105
-	-	-	164,105
-	-	8,052,814	9,521,102
-	-	-	8,433,620
-	-	-	528,880
6,216,843	2,232,308	-	13,072,117
-	-	-	945,463
-	-	-	-
-	-	-	-
6,216,843	2,232,308	8,052,814	32,501,182
\$ 6,221,679	\$ 2,232,308	\$ 8,535,475	\$ 35,321,225

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
REVENUES:				
Taxes	\$ 780,954	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	4,011	-	-	-
Investment earnings	3,906	23,495	-	-
Charges for current services	59,660	-	255,258	629,580
From other agencies	353,165	3,395,325	-	-
Other revenues	-	2,404	-	3,833
Total revenues	<u>1,201,696</u>	<u>3,421,224</u>	<u>255,258</u>	<u>633,413</u>
EXPENDITURES:				
Current:				
Fire	317,132	-	-	-
Police	623,202	-	-	-
Traffic safety	-	308,108	-	-
Public right of way	-	1,979,288	-	-
Community buildings	-	-	-	-
Community services	-	-	-	793,100
Economic development	-	-	-	-
Parks and greenbelts	-	-	49,621	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	17,035	-	-	-
Police	150,744	-	-	-
Traffic safety	-	15,105	-	-
Public right of way	-	294,950	-	-
Drainage	-	19,089	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,108,113</u>	<u>2,616,540</u>	<u>49,621</u>	<u>793,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>93,583</u>	<u>804,684</u>	<u>205,637</u>	<u>(159,687)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	161,908
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,908</u>
Net change in fund balances	93,583	804,684	205,637	2,221
Fund balance (deficit), beginning of year	<u>1,096,756</u>	<u>3,099,702</u>	<u>577,874</u>	<u>(2,221)</u>
Fund balance (deficit), end of year	<u>\$ 1,190,339</u>	<u>\$ 3,904,386</u>	<u>\$ 783,511</u>	<u>\$ -</u>

Special Revenue Funds

Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Main Street District	Air Quality Improvement
\$ -	\$ -	\$ 33	\$ -	\$ -	\$ -
53,534	-	-	-	-	-
-	-	-	-	-	-
18,277	-	-	18	1,126	2,074
254,821	-	1,356,313	799,997	26,677	-
-	-	-	-	-	285,818
44,939	102,090	-	-	-	-
<u>371,571</u>	<u>102,090</u>	<u>1,356,346</u>	<u>800,015</u>	<u>27,803</u>	<u>287,892</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,247,871	-	-	-
-	-	61,776	-	30,750	-
-	-	-	-	-	-
-	447,638	-	-	-	-
-	-	-	-	-	-
27,308	-	-	700,000	-	-
161,634	47,443	-	-	-	2,571
-	-	22,176	-	-	176,584
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,504	-	-	-	-	-
285,344	-	-	-	-	-
105,907	-	-	-	-	-
-	-	-	-	-	-
485,045	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,085,742</u>	<u>495,081</u>	<u>1,331,823</u>	<u>700,000</u>	<u>30,750</u>	<u>179,155</u>
<u>(714,171)</u>	<u>(392,991)</u>	<u>24,523</u>	<u>100,015</u>	<u>(2,947)</u>	<u>108,737</u>
-	392,986	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>392,986</u>	-	-	-	-
<u>(714,171)</u>	<u>(5)</u>	<u>24,523</u>	<u>100,015</u>	<u>(2,947)</u>	<u>108,737</u>
<u>4,013,282</u>	<u>5</u>	<u>16,092</u>	<u>(1,921)</u>	<u>199,419</u>	<u>378,691</u>
<u>\$ 3,299,111</u>	<u>\$ -</u>	<u>\$ 40,615</u>	<u>\$ 98,094</u>	<u>\$ 196,472</u>	<u>\$ 487,428</u>

(continued)

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds		
	Other Grants and Contributions	GG Tourism Improvement District	Street Rehabilitation
REVENUES:			
Taxes	\$ -	\$ 3,042,556	\$ -
Licenses and permits	-	-	-
Fines, forfeits and penalties	810,817	-	-
Investment earnings	2,335	-	13,642
Charges for current services	-	-	-
From other agencies	3,949,255	-	2,750,114
Other revenues	257,514	-	28,145
Total revenues	5,019,921	3,042,556	2,791,901
EXPENDITURES:			
Current:			
Fire	-	-	-
Police	908,367	-	-
Traffic safety	404,615	-	-
Public right of way	74,476	-	99,867
Community buildings	-	-	-
Community services	469,135	-	162,519
Economic Development	-	2,301,449	-
Parks and greenbelts	-	-	-
Community planning and development	590,888	-	-
Municipal support	-	-	-
Capital outlay:			
Fire	-	-	-
Police	-	-	-
Traffic safety	-	-	21,200
Public right of way	611,575	-	2,823,942
Drainage	-	-	6,390
Community buildings	-	-	-
Community services	-	-	-
Parks and greenbelts	236,822	-	-
Community planning and development	-	-	-
Municipal support	-	-	-
Debt service:			
Principal retirement	1,200,000	-	-
Interest and other charges	26,880	-	-
Total expenditures	4,522,758	2,301,449	3,113,918
Excess (deficiency) of revenues over (under) expenditures	497,163	741,107	(322,017)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	(741,107)	-
Proceeds from sale of capital assets	-	-	-
Total other financing sources (uses)	-	(741,107)	-
Net change in fund balances	497,163	-	(322,017)
Fund balance (deficit), beginning of year	3,304,453	-	2,519,662
Fund balance (deficit), end of year	\$ 3,801,616	\$ -	\$ 2,197,645

Capital Projects Funds			Total
Housing Successor Agency	Housing Authority Assets	Public Safety	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 3,823,543
-	-	-	53,534
-	-	-	814,828
23,243	49,129	9,502	146,747
-	-	-	3,382,306
-	-	-	10,733,677
108,128	68	-	547,121
131,371	49,197	9,502	19,501,756
-	-	-	317,132
-	-	-	1,531,569
-	-	-	1,960,594
-	-	-	2,246,157
-	-	-	-
-	-	-	1,872,392
-	-	-	2,301,449
-	-	-	776,929
45,237	60,223	-	907,996
209,409	-	-	408,169
-	-	603,035	620,070
-	-	43,386	194,130
-	-	-	36,305
-	-	-	3,750,971
-	-	-	310,823
-	-	-	105,907
-	-	-	-
-	-	-	721,867
-	-	-	-
-	-	-	-
-	-	-	1,200,000
-	-	-	26,880
254,646	60,223	646,421	19,289,340
(123,275)	(11,026)	(636,919)	212,416
-	-	-	554,894
-	-	-	(741,107)
-	2,171,150	-	2,171,150
-	2,171,150	-	1,984,937
(123,275)	2,160,124	(636,919)	2,197,353
6,340,118	72,184	8,689,733	30,303,829
\$ 6,216,843	\$ 2,232,308	\$ 8,052,814	\$ 32,501,182

**CITY OF GARDEN GROVE
PUBLIC SAFETY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 700,000	\$ 700,000	\$ 780,954	\$ 80,954
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	40,000	40,000	4,011	(35,989)
Investment earnings	250,000	250,000	3,906	(246,094)
Charges for current services	80,000	80,000	59,660	(20,340)
From other agencies	-	-	353,165	353,165
Other revenues	-	-	-	-
Total revenues	<u>1,070,000</u>	<u>1,070,000</u>	<u>1,201,696</u>	<u>131,696</u>
EXPENDITURES:				
Current:				
Fire	223,365	223,365	317,132	(93,767)
Police	859,975	859,975	623,202	236,773
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Economic development	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	367	367	-	367
Capital outlay:				
Fire	196,830	196,830	17,035	179,795
Police	41,664	277,267	150,744	126,523
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,322,201</u>	<u>1,557,804</u>	<u>1,108,113</u>	<u>449,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(252,201)</u>	<u>(487,804)</u>	<u>93,583</u>	<u>581,387</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(252,201)	(487,804)	93,583	581,387
Fund balance (deficit), beginning of year	<u>1,096,756</u>	<u>1,096,756</u>	<u>1,096,756</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 844,555</u>	<u>\$ 608,952</u>	<u>\$ 1,190,339</u>	<u>\$ 581,387</u>

CITY OF GARDEN GROVE
STATE GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	11,000	11,000	23,495	12,495
Charges for current services	-	-	-	-
From other agencies	3,789,000	3,789,000	3,395,325	(393,675)
Other revenues	-	-	2,404	2,404
Total revenues	<u>3,800,000</u>	<u>3,800,000</u>	<u>3,421,224</u>	<u>(378,776)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	329,643	329,643	308,108	21,535
Public right of way	2,149,064	2,949,064	1,979,288	969,776
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Economic development	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	26,000	26,000	15,105	10,895
Public right of way	2,367,252	1,567,252	294,950	1,272,302
Drainage	-	-	19,089	(19,089)
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>4,871,959</u>	<u>4,871,959</u>	<u>2,616,540</u>	<u>2,255,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,071,959)</u>	<u>(1,071,959)</u>	<u>804,684</u>	<u>1,876,643</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,071,959)	(1,071,959)	804,684	1,876,643
Fund balance (deficit), beginning of year	<u>3,099,702</u>	<u>3,099,702</u>	<u>3,099,702</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 2,027,743</u>	<u>\$ 2,027,743</u>	<u>\$ 3,904,386</u>	<u>\$ 1,876,643</u>

**CITY OF GARDEN GROVE
GOLF COURSE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	450,000	450,000	255,258	(194,742)
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>255,258</u>	<u>(194,742)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	128,086	128,086	49,621	78,465
Economic development	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>128,086</u>	<u>128,086</u>	<u>49,621</u>	<u>78,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>321,914</u>	<u>321,914</u>	<u>205,637</u>	<u>(116,277)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	321,914	321,914	205,637	(116,277)
Fund balance (deficit), beginning of year	<u>577,874</u>	<u>577,874</u>	<u>577,874</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 899,788</u>	<u>\$ 899,788</u>	<u>\$ 783,511</u>	<u>\$ (116,277)</u>

CITY OF GARDEN GROVE
SELF SUPPORTING REVENUE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	675,000	675,000	629,580	(45,420)
From other agencies	-	-	-	-
Other revenues	-	-	3,833	3,833
Total revenues	<u>675,000</u>	<u>675,000</u>	<u>633,413</u>	<u>(41,587)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	949,453	949,453	793,100	156,353
Parks and greenbelts	-	-	-	-
Economic development	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	276	276	-	276
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>949,729</u>	<u>949,729</u>	<u>793,100</u>	<u>156,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(274,729)</u>	<u>(274,729)</u>	<u>(159,687)</u>	<u>115,042</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	274,729	274,729	161,908	(112,821)
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>274,729</u>	<u>274,729</u>	<u>161,908</u>	<u>(112,821)</u>
Net change in fund balance	-	-	2,221	2,221
Fund balance (deficit), beginning of year	<u>(2,221)</u>	<u>(2,221)</u>	<u>(2,221)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (2,221)</u>	<u>\$ (2,221)</u>	<u>\$ -</u>	<u>\$ 2,221</u>

**CITY OF GARDEN GROVE
DEVELOPER FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	40,000	40,000	53,534	13,534
Fines, forfeits and penalties	-	-	-	-
Investment earnings	50,000	50,000	18,277	(31,723)
Charges for current services	375,000	375,000	254,821	(120,179)
From other agencies	-	-	-	-
Other revenues	-	-	44,939	44,939
Total revenues	<u>465,000</u>	<u>465,000</u>	<u>371,571</u>	<u>(93,429)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	31,894	31,894	27,308	4,586
Economic development	-	-	-	-
Community planning and development	343,721	343,721	161,634	182,087
Municipal support	276	276	-	276
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	50,000	50,000	-	50,000
Public right of way	314,900	414,900	20,504	394,396
Drainage	521,582	421,582	285,344	136,238
Community buildings	100,000	100,000	105,907	(5,907)
Community services	15,000	15,000	-	15,000
Parks and greenbelts	880,464	880,464	485,045	395,419
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>2,257,837</u>	<u>2,257,837</u>	<u>1,085,742</u>	<u>1,172,095</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,792,837)</u>	<u>(1,792,837)</u>	<u>(714,171)</u>	<u>1,078,666</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(600,000)	(600,000)	-	(600,000)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>(600,000)</u>
Net change in fund balance	<u>(2,392,837)</u>	<u>(2,392,837)</u>	<u>(714,171)</u>	<u>478,666</u>
Fund balance (deficit), beginning of year	<u>4,013,282</u>	<u>4,013,282</u>	<u>4,013,282</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 1,620,445</u>	<u>\$ 1,620,445</u>	<u>\$ 3,299,111</u>	<u>\$ 478,666</u>

CITY OF GARDEN GROVE
GARDEN GROVE CABLE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	90,000	90,000	102,090	12,090
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>102,090</u>	<u>12,090</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	489,580	489,580	447,638	41,942
Parks and greenbelts	-	-	-	-
Economic development	-	-	-	-
Community planning and development	48,504	48,504	47,443	1,061
Municipal support	1,704	1,704	-	1,704
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>539,788</u>	<u>539,788</u>	<u>495,081</u>	<u>44,707</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(449,788)</u>	<u>(449,788)</u>	<u>(392,991)</u>	<u>56,797</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	438,276	438,276	392,986	(45,290)
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>438,276</u>	<u>438,276</u>	<u>392,986</u>	<u>(45,290)</u>
Net change in fund balance	(11,512)	(11,512)	(5)	11,507
Fund balance (deficit), beginning of year	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (11,507)</u>	<u>\$ (11,507)</u>	<u>\$ -</u>	<u>\$ 11,507</u>

**CITY OF GARDEN GROVE
PARK MAINTENANCE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	18	18
Charges for current services	700,000	700,000	799,997	99,997
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>700,000</u>	<u>700,000</u>	<u>800,015</u>	<u>100,015</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	700,000	700,000	700,000	-
Economic development	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>100,015</u>	<u>100,015</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>100,015</u>	<u>100,015</u>
Fund balance (deficit), beginning of year	<u>(1,921)</u>	<u>(1,921)</u>	<u>(1,921)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (1,921)</u>	<u>\$ (1,921)</u>	<u>\$ 98,094</u>	<u>\$ 100,015</u>

**CITY OF GARDEN GROVE
STREET LIGHTING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ 33	\$ 33
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	1,331,824	1,331,824	1,356,313	24,489
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>1,331,824</u>	<u>1,331,824</u>	<u>1,356,346</u>	<u>24,522</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	1,280,314	1,280,314	1,247,871	32,443
Public right of way	30,962	30,962	61,776	(30,814)
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Economic development	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	20,548	20,548	22,176	(1,628)
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,331,824</u>	<u>1,331,824</u>	<u>1,331,823</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>24,523</u>	<u>24,523</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>24,523</u>	<u>24,523</u>
Fund balance (deficit), beginning of year	<u>16,092</u>	<u>16,092</u>	<u>16,092</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 16,092</u>	<u>\$ 16,092</u>	<u>\$ 40,615</u>	<u>\$ 24,523</u>

**CITY OF GARDEN GROVE
MAIN STREET DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	1,126	1,126
Charges for current services	27,200	27,200	26,677	(523)
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>27,200</u>	<u>27,200</u>	<u>27,803</u>	<u>603</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	142,187	142,187	30,750	111,437
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Economic development	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>142,187</u>	<u>142,187</u>	<u>30,750</u>	<u>111,437</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(114,987)</u>	<u>(114,987)</u>	<u>(2,947)</u>	<u>112,040</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(114,987)</u>	<u>(114,987)</u>	<u>(2,947)</u>	<u>112,040</u>
Fund balance (deficit), beginning of year	<u>199,419</u>	<u>199,419</u>	<u>199,419</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 84,432</u>	<u>\$ 84,432</u>	<u>\$ 196,472</u>	<u>\$ 112,040</u>

CITY OF GARDEN GROVE
AIR QUALITY IMPROVEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	2,074	2,074
Charges for current services	-	-	-	-
From other agencies	216,900	216,900	285,818	68,918
Other revenues	-	-	-	-
Total revenues	<u>216,900</u>	<u>216,900</u>	<u>287,892</u>	<u>70,992</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Economic development	-	-	-	-
Community planning and development	17,063	17,063	2,571	14,492
Municipal support	396,333	396,333	176,584	219,749
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>413,396</u>	<u>413,396</u>	<u>179,155</u>	<u>234,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(196,496)</u>	<u>(196,496)</u>	<u>108,737</u>	<u>305,233</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(196,496)	(196,496)	108,737	305,233
Fund balance (deficit), beginning of year	<u>378,691</u>	<u>378,691</u>	<u>378,691</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 182,195</u>	<u>\$ 182,195</u>	<u>\$ 487,428</u>	<u>\$ 305,233</u>

CITY OF GARDEN GROVE
OTHER GRANTS AND CONTRIBUTIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	700,000	700,000	810,817	110,817
Investment earnings	-	-	2,335	2,335
Charges for current services	-	-	-	-
From other agencies	5,263,232	5,263,232	3,949,255	(1,313,977)
Other revenues	100,000	100,000	257,514	157,514
Total revenues	<u>6,063,232</u>	<u>6,063,232</u>	<u>5,019,921</u>	<u>(1,043,311)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	750,666	822,766	908,367	(85,601)
Traffic safety	576,653	576,653	404,615	172,038
Public right of way	104,131	104,131	74,476	29,655
Community buildings	-	-	-	-
Community services	553,665	553,665	469,135	84,530
Parks and greenbelts	-	-	-	-
Economic development	-	-	-	-
Community planning and development	2,404,306	2,404,306	590,888	1,813,418
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	2,682,563	2,682,563	611,575	2,070,988
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	236,822	(236,822)
Community planning and development	-	-	-	-
Debt service:				
Principal retirement	1,200,000	1,200,000	1,200,000	-
Interest and other charges	26,880	26,880	26,880	-
Total expenditures	<u>8,298,864</u>	<u>8,370,964</u>	<u>4,522,758</u>	<u>3,848,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,235,632)</u>	<u>(2,307,732)</u>	<u>497,163</u>	<u>2,804,895</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(2,235,632)</u>	<u>(2,307,732)</u>	<u>497,163</u>	<u>2,804,895</u>
Fund balance (deficit), beginning of year	<u>3,304,453</u>	<u>3,304,453</u>	<u>3,304,453</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 1,068,821</u>	<u>\$ 996,721</u>	<u>\$ 3,801,616</u>	<u>\$ 2,804,895</u>

CITY OF GARDEN GROVE
GARDEN GROVE TOURISM IMPROVEMENT DISTRICT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 3,380,000	\$ 3,380,000	\$ 3,042,556	\$ (337,444)
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>3,380,000</u>	<u>3,380,000</u>	<u>3,042,556</u>	<u>(337,444)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	2,566,680	2,566,680	2,301,449	265,231
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>2,566,680</u>	<u>2,566,680</u>	<u>2,301,449</u>	<u>265,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>813,320</u>	<u>813,320</u>	<u>741,107</u>	<u>(72,213)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(90,000)	(90,000)	(741,107)	(651,107)
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>(90,000)</u>	<u>(90,000)</u>	<u>(741,107)</u>	<u>(651,107)</u>
Net change in fund balance	723,320	723,320	-	(723,320)
Fund balance (deficit), beginning of year	-	-	-	-
Fund balance (deficit), end of year	<u>\$ 723,320</u>	<u>\$ 723,320</u>	<u>\$ -</u>	<u>\$ (723,320)</u>

CITY OF GARDEN GROVE
STREET REHABILITATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	5,000	5,000	13,642	8,642
Charges for current services	-	-	-	-
From other agencies	3,229,000	3,229,000	2,750,114	(478,886)
Other revenues	-	-	28,145	28,145
Total revenues	<u>3,234,000</u>	<u>3,234,000</u>	<u>2,791,901</u>	<u>(442,099)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	82,529	82,529	99,867	(17,338)
Community buildings	-	-	-	-
Community services	239,443	239,443	162,519	76,924
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	455,200	405,200	21,200	384,000
Public right of way	4,377,995	4,427,995	2,823,942	1,604,053
Drainage	-	-	6,390	(6,390)
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>5,155,167</u>	<u>5,155,167</u>	<u>3,113,918</u>	<u>2,041,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,921,167)</u>	<u>(1,921,167)</u>	<u>(322,017)</u>	<u>1,599,150</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,921,167)	(1,921,167)	(322,017)	1,599,150
Fund balance (deficit), beginning of year	<u>2,519,662</u>	<u>2,519,662</u>	<u>2,519,662</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 598,495</u>	<u>\$ 598,495</u>	<u>\$ 2,197,645</u>	<u>\$ 1,599,150</u>

CITY OF GARDEN GROVE
HOUSING SUCCESSOR AGENCY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	23,243	23,243
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	108,128	108,128
Total revenues	<u>-</u>	<u>-</u>	<u>131,371</u>	<u>131,371</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	50,000	50,000	45,237	4,763
Municipal support	222,515	222,515	209,409	13,106
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>272,515</u>	<u>272,515</u>	<u>254,646</u>	<u>17,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(272,515)</u>	<u>(272,515)</u>	<u>(123,275)</u>	<u>149,240</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	198,172	198,172	-	198,172
Total other financing sources (uses)	<u>198,172</u>	<u>198,172</u>	<u>-</u>	<u>198,172</u>
Net change in fund balance	(74,343)	(74,343)	(123,275)	48,932
Fund balance (deficit), beginning of year	<u>6,340,118</u>	<u>6,340,118</u>	<u>6,340,118</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 6,265,775</u>	<u>\$ 6,265,775</u>	<u>\$ 6,216,843</u>	<u>\$ 48,932</u>

CITY OF GARDEN GROVE
HOUSING AUTHORITY ASSETS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	14,800	14,800	49,129	34,329
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	68	68
Total revenues	<u>14,800</u>	<u>14,800</u>	<u>49,197</u>	<u>34,397</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	61,502	61,502	60,223	1,279
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>61,502</u>	<u>61,502</u>	<u>60,223</u>	<u>1,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,702)</u>	<u>(46,702)</u>	<u>(11,026)</u>	<u>35,676</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	551,360	551,360	2,171,150	(1,619,790)
Total other financing sources (uses)	<u>551,360</u>	<u>551,360</u>	<u>2,171,150</u>	<u>(1,619,790)</u>
Net change in fund balance	504,658	504,658	2,160,124	(1,655,466)
Fund balance (deficit), beginning of year	<u>72,184</u>	<u>72,184</u>	<u>72,184</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 576,842</u>	<u>\$ 576,842</u>	<u>\$ 2,232,308</u>	<u>\$ (1,655,466)</u>

CITY OF GARDEN GROVE
PUBLIC SAFETY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	9,502	9,502
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>9,502</u>	<u>9,502</u>
EXPENDITURES:				
Current:				
Fire	115,099	115,099	-	115,099
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	15,000	-	15,000
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	75,000	6,060,000	603,035	5,456,965
Police	-	793,519	43,386	750,133
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>190,099</u>	<u>6,983,618</u>	<u>646,421</u>	<u>6,337,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(190,099)</u>	<u>(6,983,618)</u>	<u>(636,919)</u>	<u>6,346,699</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(190,099)	(6,983,618)	(636,919)	6,346,699
Fund balance (deficit), beginning of year	<u>8,689,733</u>	<u>8,689,733</u>	<u>8,689,733</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 8,499,634</u>	<u>\$ 1,706,115</u>	<u>\$ 8,052,814</u>	<u>\$ 6,346,699</u>

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**CITY OF GARDEN GROVE
INTERNAL SERVICE FUNDS**

Workers' Compensation Fund

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

Fleet Management Fund

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

Employee Benefits Fund

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

Information Systems Fund

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

Warehouse Operations Fund

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

Telephone System Fund

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

Risk Management Fund

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

Communication Replacement Fund

This fund is used to account for both the operating and capital costs of the City's communication system in relation to the county-wide 800MHZ backbone project. Funds are used to pay for the City's backbone costs and the capital costs incurred to upgrade its communications equipment to integrate with the county-wide communications system. The financing comes from charges to the various City departments based on an allocation of actual costs. Actual costs include depreciation and maintenance.

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017**

	Workers' Compensation	Fleet Management	Employee Benefits	Information Systems
ASSETS				
Current Assets:				
Cash and cash investments	\$ 38,535,556	\$ 27,700,043	\$ 12,555,641	\$ 3,007,025
Accounts receivable, net	-	-	81,237	911
Interest receivable	91,515	-	-	6,762
Due from other funds	629,355	-	1,346,735	-
Inventory	-	43,889	-	-
Prepaid Items	-	-	7,875	-
Total current assets	<u>39,256,426</u>	<u>27,743,932</u>	<u>13,991,488</u>	<u>3,014,698</u>
Noncurrent Assets:				
Deposits	-	-	32,100	1,720
Intercity loans receivable	-	3,604,554	-	-
Capital assets				
Construction in progress	-	-	-	-
Depreciable capital assets, net	-	8,316,501	-	532,271
Total noncurrent assets	<u>-</u>	<u>11,921,055</u>	<u>32,100</u>	<u>533,991</u>
Total assets	<u>39,256,426</u>	<u>39,664,987</u>	<u>14,023,588</u>	<u>3,548,689</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	-	495,461	-	904,839
Total Deferred Outflows	<u>-</u>	<u>495,461</u>	<u>-</u>	<u>904,839</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	16,445	96,460	1,976,429	72,091
Accrued liabilities	-	50,793	-	73,999
Interest payable	-	105	-	95
Refundable deposits	-	1,520	164	-
Current portion of long term liabilities				
Capital leases	-	69,836	-	60,389
Accrued compensated absences	-	-	8,781,016	-
Claims payable	4,658,124	-	-	-
Total current liabilities	<u>4,674,569</u>	<u>218,714</u>	<u>10,757,609</u>	<u>206,574</u>
Noncurrent liabilities:				
Capital leases	-	-	-	249,077
Accrued compensated absences	-	-	1,312,106	-
Claims payable	22,664,877	-	-	-
Intercity loans payable	-	-	-	-
Net pension liability	-	2,341,816	-	4,276,753
OPEB liability	-	79,560	-	134,824
Total noncurrent liabilities	<u>22,664,877</u>	<u>2,421,376</u>	<u>1,312,106</u>	<u>4,660,654</u>
Total liabilities	<u>27,339,446</u>	<u>2,640,090</u>	<u>12,069,715</u>	<u>4,867,228</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related	-	39,625	-	72,365
Total Deferred Inflows	<u>-</u>	<u>39,625</u>	<u>-</u>	<u>72,365</u>
NET POSITION				
Net investment in capital assets	-	8,246,665	-	222,805
Unrestricted	11,916,980	29,234,068	1,953,873	(708,870)
Total net position	<u>\$ 11,916,980</u>	<u>\$ 37,480,733</u>	<u>\$ 1,953,873</u>	<u>\$ (486,065)</u>

Warehouse Operations	Telephone System	Risk Management	Communication Replacement	Total
\$ 562,438	\$ 2,011,256	\$ 21,709,984	\$ 1,683,285	\$ 107,765,228
-	-	13,977	-	96,125
-	-	51,947	-	150,224
-	-	-	-	1,976,090
441,775	-	-	-	485,664
-	-	-	-	7,875
<u>1,004,213</u>	<u>2,011,256</u>	<u>21,775,908</u>	<u>1,683,285</u>	<u>110,481,206</u>
-	-	-	-	33,820
-	-	-	-	3,604,554
-	-	-	525,060	525,060
-	-	-	2,104,116	10,952,888
-	-	-	2,629,176	15,116,322
<u>1,004,213</u>	<u>2,011,256</u>	<u>21,775,908</u>	<u>4,312,461</u>	<u>125,597,528</u>
-	-	-	-	1,400,300
-	-	-	-	1,400,300
180,386	38,550	10,512	-	2,390,873
7,744	5,157	17,870	-	155,563
-	-	-	-	200
-	-	-	-	1,684
-	-	-	-	130,225
-	-	-	-	8,781,016
-	-	540,938	-	5,199,062
<u>188,130</u>	<u>43,707</u>	<u>569,320</u>	<u>-</u>	<u>16,658,623</u>
-	-	-	-	249,077
-	-	-	-	1,312,106
-	-	3,985,062	-	26,649,939
-	-	-	3,604,554	3,604,554
-	-	-	-	6,618,569
-	-	-	-	214,384
-	-	3,985,062	3,604,554	38,648,629
<u>188,130</u>	<u>43,707</u>	<u>4,554,382</u>	<u>3,604,554</u>	<u>55,307,252</u>
-	-	-	-	111,990
-	-	-	-	111,990
-	-	-	525,060	8,994,530
816,083	1,967,549	17,221,526	182,847	62,584,056
<u>\$ 816,083</u>	<u>\$ 1,967,549</u>	<u>\$ 17,221,526</u>	<u>\$ 707,907</u>	<u>\$ 71,578,586</u>

CITY OF GARDEN GROVE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Workers'</u> <u>Compensation</u>	<u>Fleet</u> <u>Management</u>	<u>Employee</u> <u>Benefits</u>	<u>Information</u> <u>Systems</u>
Operating revenues:				
Charges for services	\$ 6,971,946	\$ 8,232,868	\$ 40,135,835	\$ 2,403,811
Other	-	94,525	-	805
Total operating revenues	<u>6,971,946</u>	<u>8,327,393</u>	<u>40,135,835</u>	<u>2,404,616</u>
Operating expenses:				
Salaries and wages	1,705,701	981,047	11,726,355	2,386,591
Employee benefits	-	-	26,718,784	-
Contractual services	33,971	665,995	64,876	236,900
Liability claims	7,550,841	178,099	-	32,220
Materials and supplies	-	1,493,054	339,637	266,680
Depreciation	-	1,028,742	-	130,770
Total operating expenses	<u>9,290,513</u>	<u>4,346,937</u>	<u>38,849,652</u>	<u>3,053,161</u>
Operating income (loss)	<u>(2,318,567)</u>	<u>3,980,456</u>	<u>1,286,183</u>	<u>(648,545)</u>
Nonoperating revenues (expenses):				
Investment income	(5,977)	(66,713)	-	16,911
Gain (loss) on disposal of assets	-	83,049	-	(41,911)
Interest expense	-	(4,171)	-	(1,277)
Total nonoperating revenues (expenses)	<u>(5,977)</u>	<u>12,165</u>	<u>-</u>	<u>(26,277)</u>
Income (loss) before transfers and capital contributions	<u>(2,324,544)</u>	<u>3,992,621</u>	<u>1,286,183</u>	<u>(674,822)</u>
Capital contributions	-	154,085	-	-
Transfers in	-	291,865	-	-
Transfers out	-	-	-	-
Change in net position	<u>(2,324,544)</u>	<u>4,438,571</u>	<u>1,286,183</u>	<u>(674,822)</u>
Total net position, beginning of year	<u>14,241,524</u>	<u>33,042,162</u>	<u>667,690</u>	<u>188,757</u>
Total net position, end of year	<u>\$ 11,916,980</u>	<u>\$ 37,480,733</u>	<u>\$ 1,953,873</u>	<u>\$ (486,065)</u>

Warehouse Operations	Telephone System	Risk Management	Communication Replacement	Total
\$ 120,850	\$ 645,977	\$ 1,659,362	\$ 600,000	\$ 60,770,649
900	-	-	-	96,230
<u>121,750</u>	<u>645,977</u>	<u>1,659,362</u>	<u>600,000</u>	<u>60,866,879</u>
188,598	98,284	406,831	-	17,493,407
-	-	-	-	26,718,784
-	534,639	713,350	348,801	2,598,532
51,282	-	2,065,019	-	9,877,461
11,332	-	1,647	-	2,112,350
-	-	-	-	1,159,512
<u>251,212</u>	<u>632,923</u>	<u>3,186,847</u>	<u>348,801</u>	<u>59,960,046</u>
(129,462)	13,054	(1,527,485)	251,199	906,833
-	-	89,581	-	33,802
-	-	-	-	41,138
-	-	-	(48,151)	(53,599)
-	-	89,581	(48,151)	21,341
(129,462)	13,054	(1,437,904)	203,048	928,174
-	-	-	-	154,085
-	-	-	-	291,865
-	-	(100,000)	-	(100,000)
(129,462)	13,054	(1,537,904)	203,048	1,274,124
<u>945,545</u>	<u>1,954,495</u>	<u>18,759,430</u>	<u>504,859</u>	<u>70,304,462</u>
<u>\$ 816,083</u>	<u>\$ 1,967,549</u>	<u>\$ 17,221,526</u>	<u>\$ 707,907</u>	<u>\$ 71,578,586</u>

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Workers' Compensation	Fleet Management	Employee Benefits
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from user departments	\$ 5,860,231	\$ 8,278,822	\$ 37,142,414
Payments to suppliers	(5,843,598)	(2,392,341)	-
Payments to employees	(1,767,505)	(1,203,554)	(11,999,185)
Payments for employee benefits	-	-	(26,153,638)
Net cash provided (used) by operating activities	<u>(1,750,872)</u>	<u>4,682,927</u>	<u>(1,010,409)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Cash received from other funds	1,111,509	448,657	-
Cash paid to other funds	(454,449)	-	-
Net cash provided (used) by non capital financing activities	<u>657,060</u>	<u>448,657</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(1,388,115)	-
Payments on lease purchase agreement	-	(90,218)	-
Interest paid	-	(4,171)	-
Net cash provided by capital and related financing activities	<u>-</u>	<u>(1,482,504)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	934,798	-	-
Net cash provided by investing activities	<u>934,798</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(159,014)	3,649,080	(1,010,409)
Cash and cash equivalents, beginning of year	38,694,570	24,050,963	13,566,050
Cash and cash equivalents, end of year	<u>\$ 38,535,556</u>	<u>\$ 27,700,043</u>	<u>\$ 12,555,641</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (2,318,567)	\$ 3,980,456	\$ 1,286,183
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	-	1,028,742	-
Other nonoperating revenues (expenses)	(935,213)	(114,864)	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(174,906)	15,460	(1,383,617)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in inventory	-	(7,616)	-
(Increase) decrease in prepaid expense	-	-	(7,874)
Increase (decrease) in accounts payable	11,615	(131,370)	(755,124)
Increase (decrease) in compensated absences	-	-	65,877
Increase (decrease) in other accrued liabilities	(61,804)	11,774	(215,854)
Increase (decrease) in claims payable	1,728,003	-	-
Increase (decrease) in OPEB liability	-	12,054	-
Increase (decrease) in net pension liability and related changes in deferred outflows and inflows of resources	-	(111,709)	-
Total adjustments	<u>567,695</u>	<u>702,471</u>	<u>(2,296,592)</u>
Net cash provided (used) by operating activities	<u>\$ (1,750,872)</u>	<u>\$ 4,682,927</u>	<u>\$ (1,010,409)</u>

There were no noncash investing, capital, or financing activities for the year ended June 30, 2017.

Information Systems	Warehouse Operations	Telephone System	Risk Management	Communication Replacement	Total
\$ 2,274,127	\$ 147,754	\$ 658,881	\$ 1,674,612	\$ 600,000	\$ 56,636,841
(20,304)	(34,918)	(518,651)	(2,378,046)	(2,230,854)	(13,418,712)
(1,960,944)	(194,973)	(103,278)	(419,136)	-	(17,648,575)
-	-	-	-	-	(26,153,638)
292,879	(82,137)	36,952	(1,122,570)	(1,630,854)	(584,084)
-	-	-	-	-	1,560,166
-	-	-	(100,000)	(448,657)	(1,003,106)
-	-	-	(100,000)	(448,657)	557,060
(347,294)	-	-	-	(112,656)	(1,848,065)
(63,921)	-	-	-	-	(154,139)
(1,183)	-	-	-	-	(5,354)
(412,398)	-	-	-	(112,656)	(2,007,558)
19,545	-	-	95,627	-	1,049,970
19,545	-	-	95,627	-	1,049,970
(99,974)	(82,137)	36,952	(1,126,943)	(2,192,167)	(984,612)
3,106,999	644,575	1,974,304	22,836,927	3,875,452	108,749,840
<u>\$ 3,007,025</u>	<u>\$ 562,438</u>	<u>\$ 2,011,256</u>	<u>\$ 21,709,984</u>	<u>\$ 1,683,285</u>	<u>\$ 107,765,228</u>
\$ (648,545)	\$ (129,462)	\$ 13,054	\$ (1,527,485)	\$ 251,199	\$ 906,833
130,770	-	-	-	-	1,159,512
-	-	-	-	-	(1,050,077)
659	-	2,500	(2,619)	-	(1,542,523)
-	-	-	-	-	-
-	35,341	-	-	-	27,725
-	-	-	20,222	-	12,348
2,910	10,614	21,235	746	(1,882,053)	(2,721,427)
-	-	-	-	-	65,877
25,692	1,370	163	386,566	-	147,907
-	-	-	-	-	1,728,003
21,044	-	-	-	-	33,098
760,349	-	-	-	-	648,640
941,424	47,325	23,898	404,915	(1,882,053)	(1,490,917)
<u>\$ 292,879</u>	<u>\$ (82,137)</u>	<u>\$ 36,952</u>	<u>\$ (1,122,570)</u>	<u>\$ (1,630,854)</u>	<u>\$ (584,084)</u>

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Statistical Section

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Statistical Section

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

Financial Trends

These schedules contain trend information to assist the reader understand and assess how the City's financial position has changed over time.

Schedule I	-	Net Position by Component
Schedule II	-	Changes in Net Position
Schedule III	-	Balance of Governmental Funds
Schedule IV	-	Changes in Fund Balances of Governmental Funds
Schedule V	-	General Government Major Tax Revenues by Source

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Schedule VI	-	Assessed Value and Estimated Actual Value of Taxable Property
Schedule VII	-	Property Tax Rates Direct and Overlapping Governments
Schedule VIII	-	Principal Property Tax Payers
Schedule IX	-	Property Tax Levies and Collections

Debt Capacity

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

Schedule X	-	Ratios of Outstanding Debt by Type
Schedule XI	-	Ratios of General Bonded Debt Outstanding
Schedule XII	-	Direct and Overlapping Bonds and Debt
Schedule XIII	-	Legal Debt Margin Information
Schedule XIV	-	Pledged-Revenue Coverage

Demographics and Economic Information

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

Schedule XV	-	Demographic and Economic Statistics
Schedule XVI	-	Principal Employers

Operating Information

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

Schedule XVII	-	Full-Time and Part-Time City Employees by Department
Schedule XVIII	-	Operating Indicators by Function
Schedule XIX	-	Capital Assets Statistics by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

The City implemented GASB 34 in FY 2002; the government-wide schedules include information beginning in that year.

The City implemented GASB 54 in FY 2011; the balance of governmental funds schedule include information beginning in that year.

The City implemented GASB 65 in FY 2013; as a result, effective FY 2013, the names of Schedule I and Schedule II are changed to "Net Position by Component" and "Changes in Net Position", respectively.

The City implemented GASB 68 in FY 2015; the government-wide schedules include information beginning in that year.

**SCHEDULE I
CITY OF GARDEN GROVE
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ 662,476	\$ 661,323	\$ 553,141	\$ 560,993
Restricted	79,980	68,985	94,568	97,634
Unrestricted	13,004	22,510	129,445	129,866
Total governmental activities net position	<u>755,460</u>	<u>752,818</u>	<u>777,154</u>	<u>788,493</u>
Business-type activities:				
Net investment in capital assets	65,581	75,932	85,079	88,713
Restricted	-	-	-	-
Unrestricted	26,444	25,543	28,226	45,395
Total business-type activities net position	<u>92,025</u>	<u>101,475</u>	<u>113,305</u>	<u>134,108</u>
Primary government:				
Net investment in capital assets	728,057	737,255	638,220	649,706
Restricted	79,980	68,985	94,568	97,634
Unrestricted	39,448	48,053	157,671	175,261
Total primary government net position	<u>\$ 847,485</u>	<u>\$ 854,293</u>	<u>\$ 890,459</u>	<u>\$ 922,601</u>

The City of Garden Grove implemented GASB 34 for the fiscal year ended June 30, 2002, GASB 63 and GASB 65 for the fiscal year ended June 30, 2013, and GASB 68 for the fiscal year ended June 30, 2015.

Source: Finance Department, City of Garden Grove

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 643,306	\$ 643,095	\$ 644,220	\$ 642,786	\$ 641,661	\$ 632,000
29,976	22,114	22,150	17,848	21,967	24,613
<u>119,190</u>	<u>123,504</u>	<u>117,646</u>	<u>(83,857)</u>	<u>(88,223)</u>	<u>(86,669)</u>
<u>792,472</u>	<u>788,713</u>	<u>784,016</u>	<u>576,777</u>	<u>575,405</u>	<u>569,944</u>
89,607	97,657	107,299	111,947	117,488	118,371
-	-	-	-	-	-
<u>36,861</u>	<u>39,457</u>	<u>44,291</u>	<u>29,703</u>	<u>26,011</u>	<u>28,288</u>
<u>126,468</u>	<u>137,114</u>	<u>151,590</u>	<u>141,650</u>	<u>143,499</u>	<u>146,659</u>
732,913	740,752	751,519	754,733	759,149	750,371
29,976	22,114	22,150	17,848	21,967	24,613
<u>156,051</u>	<u>162,961</u>	<u>161,937</u>	<u>(54,154)</u>	<u>(62,212)</u>	<u>(58,381)</u>
<u>\$ 918,940</u>	<u>\$ 925,827</u>	<u>\$ 935,606</u>	<u>\$ 718,427</u>	<u>\$ 718,904</u>	<u>\$ 716,603</u>

**SCHEDULE II
CITY OF GARDEN GROVE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year				
	2008	2009	2010	2011	2012
Expenses:					
Governmental activities:					
Fire	\$ 19,778	\$ 21,279	\$ 18,757	\$ 18,710	\$ 19,497
Police	45,333	47,004	42,554	44,899	44,751
Traffic safety	3,273	4,135	3,570	2,905	3,197
Public right of way	13,989	14,859	16,143	13,013	14,768
Drainage	1,372	1,482	1,352	1,374	1,417
Community buildings	4,442	4,268	4,519	4,319	4,961
Community services	4,383	4,702	4,389	4,088	4,430
Economic Development	-	-	-	-	-
Parks and greenbelts	2,016	1,628	2,098	1,584	1,785
Community planning and development	46,061	44,429	44,682	49,088	10,945
Municipal support	8,405	8,543	5,157	3,154	6,443
Interest on long-term debt	7,768	8,161	5,795	5,132	3,783
Total governmental activities expenses	<u>156,820</u>	<u>160,490</u>	<u>149,016</u>	<u>148,266</u>	<u>115,977</u>
Business-type activities:					
Water	20,557	24,339	25,251	26,152	24,213
Sanitary District	13,295	13,418	13,088	8,708	7,672
Mobile home parks/RV park	2,339	2,172	2,205	1,497	565
Housing authority	-	-	-	-	30,894
Total business-type activities expenses	<u>36,191</u>	<u>39,929</u>	<u>40,544</u>	<u>36,357</u>	<u>63,344</u>
Total primary government expenses	<u>193,011</u>	<u>200,419</u>	<u>189,560</u>	<u>184,623</u>	<u>179,321</u>
Program revenues:					
Governmental activities:					
Charges for services:					
Fire	884	1,377	1,115	3,400	1,051
Police	3,564	3,431	3,592	3,607	3,321
Traffic safety	1,314	1,341	1,350	1,342	1,343
Public right of way	291	157	117	146	137
Drainage	90	-	-	-	-
Community buildings	-	-	-	-	-
Community services	849	849	878	915	856
Economic development	-	-	-	-	-
Parks and greenbelts	1,394	1,382	1,368	1,368	1,346
Community planning and development	1,403	1,179	1,114	1,384	1,303
Municipal support	2,223	2,384	5,729	2,636	2,540
Operating grants and contributions	42,980	36,053	42,980	46,464	19,574
Capital grants and contributions	4,890	9,599	14,462	6,361	4,847
Total governmental activities program revenues	<u>59,882</u>	<u>57,752</u>	<u>72,705</u>	<u>67,623</u>	<u>36,318</u>
Business-type activities:					
Charges for services:					
Water	25,573	27,846	28,878	30,261	34,318
Sanitary District	16,445	16,208	16,848	12,187	12,294
Mobile home parks	3,033	2,910	3,027	318	1
Operating grants and contributions	804	785	-	-	30,662
Capital grants and contributions	-	-	2,038	-	-
Total business-type activities program revenues	<u>45,855</u>	<u>47,749</u>	<u>50,791</u>	<u>42,766</u>	<u>77,275</u>
Total primary government program revenues	<u>105,737</u>	<u>105,501</u>	<u>123,496</u>	<u>110,389</u>	<u>113,593</u>
Net revenues (expenses):					
Governmental activities	(96,938)	(102,738)	(76,311)	(80,643)	(79,659)
Business-type activities	9,664	7,820	10,247	6,409	13,931
Total net revenues (expenses)	<u>\$ (87,274)</u>	<u>\$ (94,918)</u>	<u>\$ (66,064)</u>	<u>\$ (74,234)</u>	<u>\$ (65,728)</u>

Fiscal Year				
2013	2014	2015	2016	2017
\$ 20,273	\$ 20,876	\$ 21,939	\$ 20,700	\$ 23,934
45,467	49,289	50,837	47,309	53,783
3,097	3,872	3,517	3,001	4,425
16,541	14,051	16,903	16,917	18,456
1,426	1,284	1,445	1,453	1,438
4,596	4,504	4,973	4,691	4,998
4,452	4,679	4,797	4,606	5,184
-	-	1,944	2,333	4,271
1,838	1,973	2,146	1,957	1,861
7,938	8,491	7,837	5,633	6,989
6,344	7,112	7,609	6,151	8,434
1,815	1,305	862	1,962	1,212
<u>113,787</u>	<u>117,436</u>	<u>124,809</u>	<u>116,713</u>	<u>134,985</u>
26,419	26,761	30,003	26,982	31,109
8,641	7,092	8,128	8,095	8,709
-	-	-	-	-
31,586	30,489	30,707	36,947	30,390
<u>66,646</u>	<u>64,342</u>	<u>68,838</u>	<u>72,024</u>	<u>70,208</u>
<u>180,433</u>	<u>181,778</u>	<u>193,647</u>	<u>188,737</u>	<u>205,193</u>
1,106	1,422	1,011	1,683	1,347
3,486	3,169	3,019	2,717	3,150
1,349	1,349	1,351	1,347	1,356
249	358	272	391	394
-	-	-	-	-
-	-	-	-	401
851	859	986	768	1,015
-	-	-	-	108
1,319	1,282	1,264	1,226	1,265
1,491	2,128	1,839	2,320	2,031
2,553	2,693	2,656	3,109	3,555
10,012	13,277	13,295	15,819	14,868
5,789	5,435	6,032	3,569	497
<u>28,205</u>	<u>31,972</u>	<u>31,725</u>	<u>32,949</u>	<u>29,987</u>
33,738	35,186	33,145	29,158	32,130
13,204	12,051	12,095	12,339	12,939
-	-	-	-	-
30,582	30,656	30,726	31,730	31,379
-	-	-	-	-
<u>77,524</u>	<u>77,893</u>	<u>75,966</u>	<u>73,227</u>	<u>76,448</u>
<u>105,729</u>	<u>109,865</u>	<u>107,691</u>	<u>106,176</u>	<u>106,435</u>
(85,582)	(85,464)	(93,084)	(83,764)	(104,998)
10,878	13,551	7,128	1,203	6,240
<u>\$ (74,704)</u>	<u>\$ (71,913)</u>	<u>\$ (85,956)</u>	<u>\$ (82,561)</u>	<u>\$ (98,758)</u>

(Continued)

**SCHEDULE II
CITY OF GARDEN GROVE
CHANGES IN NET POSITION (Continued)
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year				
	2008	2009	2010	2011	2012
General revenues and other changes in net position:					
Governmental activities:					
Taxes:					
Sales taxes	\$ 19,780	\$ 16,236	\$ 14,076	\$ 16,776	\$ 18,461
Property taxes	39,144	43,786	42,212	52,268	43,920
Transient occupancy taxes	12,673	11,257	10,196	11,697	12,320
Other taxes	4,934	4,825	4,864	5,775	7,297
Motor vehicle taxes, levied for general purposes	14,011	14,088	513	801	87
Investment income	5,687	6,257	8,830	4,240	760
Other general revenues	1,511	3,579	2,153	425	651
Gain/(Loss) on sale of capital assets	-	-	-	-	(18,941) ¹
Transfers	70	70	-	-	20,373 ³
Capital Contribution	-	-	-	-	-
Total governmental activities	<u>97,810</u>	<u>100,098</u>	<u>82,844</u>	<u>91,982</u>	<u>84,928</u>
Business-type activities:					
Investment income	2,579	1,701	1,583	1,510	334
Gain/(Loss) on sale of capital assets	-	-	-	12,886	-
Other general revenues	-	-	-	-	95
Discontinued operations	-	-	-	-	(2,918) ²
Transfers	(70)	(70)	-	-	(20,373) ³
Total business-type activities	<u>2,509</u>	<u>1,631</u>	<u>1,583</u>	<u>14,396</u>	<u>(22,862)</u>
Total primary government	<u>100,319</u>	<u>101,729</u>	<u>84,427</u>	<u>106,378</u>	<u>62,066</u>
Changes in net position					
Governmental activities	872	(2,640)	6,533	11,339	5,269
Business-type activities	12,173	9,451	11,830	20,805	(8,931)
Total primary government	<u>\$ 13,045</u>	<u>\$ 6,811</u>	<u>\$ 18,363</u>	<u>\$ 32,144</u>	<u>\$ (3,662)</u>

Source: Finance Department, City of Garden Grove

The City of Garden Grove implemented GASB 34 for the fiscal year ended June 30, 2002 and implemented GASB 63 and GASB 65 for the fiscal year ended June 30, 2013.

¹ FY11-12: The \$18.9 million loss in governmental activities represents a one-time loss as a result of the dissolution of Redevelopment Agency in 2012.

² FY11-12: The \$2.9 million loss in business-type activities represents a one-time loss due to the transfer of the remaining net assets of RV Park enterprise fund to the Successor Agency Trust fund.

³ FY11-12: The \$20.4 million was primarily related to the \$19.6 million transfer from the Mobile Home Park enterprise fund to the General fund as a result of the discontinuance

⁴ FY12-13: The \$2.3 million capital contribution was related to the transfer of land from the Successor Agency Trust fund to the General fund.

⁵ FY13-14: The \$1.0 million loss in governmental activities represents a one-time loss due to the disposal of land.

Fiscal Year				
2013	2014	2015	2016	2017
\$ 19,805	\$ 20,285	\$ 19,251	\$ 22,052	\$ 21,793
35,145	35,286	36,972	40,574	42,113
14,448	16,443	17,217	20,897	25,121
7,316	7,438	7,761	8,214	8,314
90	75	72	71	79
1,757	1,945	2,005	3,344	1,337
1,210	297	534	7,270	488
-	(1,002) ⁵	3	2,774	-
-	-	(7)	-	292
2,309 ⁴	-	-	-	-
<u>82,080</u>	<u>80,767</u>	<u>83,808</u>	<u>105,196</u>	<u>99,537</u>
437	715	523	428	142
-	41	169	59	-
-	169	29	159	182
-	-	-	-	-
-	-	7	-	(292)
<u>437</u>	<u>925</u>	<u>728</u>	<u>646</u>	<u>32</u>
<u>82,517</u>	<u>81,692</u>	<u>84,536</u>	<u>105,842</u>	<u>99,569</u>
(3,502)	(4,697)	(9,276)	21,432	(5,460)
<u>11,315</u>	<u>14,476</u>	<u>7,856</u>	<u>1,849</u>	<u>6,272</u>
<u>\$ 7,813</u>	<u>\$ 9,779</u>	<u>(1,420)</u>	<u>23,281</u>	<u>\$ 812</u>

**SCHEDULE III
CITY OF GARDEN GROVE
BALANCE OF GOVERNMENTAL FUNDS
THE LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(In Thousands)**

	Fiscal Year			
	2008	2009	2010	2011
General fund:				
Reserved	\$ 50,999	\$ 49,176	\$ 47,951	\$ -
Non-Spendable:				
Agency reimbursement agreement	-	-	-	-
COP reimbursement agreement	-	-	-	-
Intercity loan	-	-	-	40,056
Land held for resale	-	-	-	-
Prepaid items	-	-	-	135
Deposits	-	-	-	-
Restricted:				
Public safety	-	-	-	-
Public right of way	-	-	-	-
Community services	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Committed:				
Post-Employment Benefits	-	-	-	1,000
Community planning and development	-	-	-	-
Assigned:				
Post-Employment Benefits	-	-	-	-
Garden Grove tourism improvement	-	-	-	-
Property tax lawsuit	-	-	-	500
Building improvements	-	-	-	1,300
General Plan	-	-	-	-
Other purposes	-	-	-	384
Unreserved	14,721	5,479	71	-
Unassigned	-	-	-	4,566
Total general fund	<u>\$ 65,720</u>	<u>\$ 54,655</u>	<u>\$ 48,022</u>	<u>\$ 47,941</u>
All other governmental funds:				
Reserved	\$ 141,053	\$ 158,393	\$ 142,099	\$ -
Non-Spendable:				
Intercity loan	-	-	-	13,829
Land held for resale	-	-	-	-
Prepaid items	-	-	-	4
Deposits	-	-	-	815
Restricted:				
Fire	-	-	-	1
Police	-	-	-	2,457
Public right of way	-	-	-	13,080
Drainage	-	-	-	287
Community services	-	-	-	1,450
Community planning and development	-	-	-	97,109
Municipal support	-	-	-	199
Committed:				
Community planning and development	-	-	-	994
Assigned:				
Post-Employment Benefits	-	-	-	-
Property tax lawsuit	-	-	-	-
Building improvements	-	-	-	-
Other purposes	-	-	-	-
Unreserved, reported in:				
Special revenue funds	(27,845)	(41,485)	(11,371)	-
Debt service funds	(1,423)	4,463	1,399	-
Capital projects funds	(30,645)	(33,563)	(39,251)	-
Unassigned	-	-	-	(31,170)
Total all other governmental funds	<u>\$ 81,140</u>	<u>\$ 87,808</u>	<u>\$ 92,876</u>	<u>\$ 99,055</u>

Source: Finance Department, City of Garden Grove

The City of Garden Grove implemented GASB 54 for the fiscal year ended June 30, 2011.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
13,375	13,375	13,375	13,375	13,375	13,414
-	-	-	-	-	-
-	-	-	-	13	10
-	-	-	-	-	-
-	-	-	-	-	103
-	-	-	-	-	-
-	-	-	-	-	161
-	-	-	-	-	7
-	-	-	-	-	15
-	-	-	-	-	-
-	-	-	-	-	-
1,000	1,000	1,000	1,000	1,000	1,000
53	139	231	231	314	404
500	500	500	500	500	500
1,300	1,300	1,300	1,300	1,300	1,300
113	132	223	273	239	325
-	-	-	-	-	-
-	-	-	-	-	-
18,444	16,016	16,217	16,330	18,331	22,629
<u>\$ 34,785</u>	<u>\$ 32,462</u>	<u>\$ 32,846</u>	<u>\$ 33,009</u>	<u>\$ 35,072</u>	<u>\$ 39,868</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,680	2,793	2,814	1,754	9,260	9,521
11,783	8,433	3,665	5,358	7,639	8,434
354	453	569	647	754	529
207	650	-	180	196	945
12,185	12,200	12,695	10,385	16,712	18,080
229	242	304	-	755	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(3,055)	(67)	(551)	(755)	(4)	466
<u>\$ 24,383</u>	<u>\$ 24,704</u>	<u>\$ 19,496</u>	<u>\$ 17,569</u>	<u>\$ 35,312</u>	<u>\$ 37,975</u>

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

	Fiscal Year		
	2008	2009	2010
Revenues:			
Taxes	\$ 91,292	\$ 90,692	\$ 85,353
Licenses and permits	1,068	818	1,553
Fines, forfeitures and penalties	2,870	2,761	3,103
Investment earnings	6,576	7,219	7,689
Charges for current services	10,083	11,065	11,413
From other agencies	42,295	39,707	55,879
Other revenues	2,516	3,053	2,100
Total revenues	<u>156,700</u>	<u>155,315</u>	<u>167,090</u>
Expenditures			
Current:			
Fire	19,724	20,769	19,331
Police	43,048	44,787	43,863
Traffic safety	3,026	2,896	2,967
Public right of way	5,973	8,130	7,373
Drainage	-	148	13
Community buildings	3,581	3,935	3,366
Community services	4,208	4,433	4,428
Economic development	-	-	-
Parks and greenbelts	1,925	1,804	1,649
Community planning and development	30,076	31,145	59,813
Municipal support	7,163	7,079	7,639
Capital outlay	26,290	23,162	16,671
Debt service:			
Principal retirement	3,971	3,519	4,956
Interest and other charges	7,783	8,076	7,726
Total expenditures	<u>156,768</u>	<u>159,883</u>	<u>179,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68)</u>	<u>(4,568)</u>	<u>(12,705)</u>
Other financing sources (uses):			
Transfers in	48,225	32,608	52,785
Transfers out	(48,394)	(32,438)	(47,597)
Issuance of debt	41,675	-	-
Proceeds of debt	-	-	-
Gain/(Loss) on sale of capital assets	-	-	2,320
Contribution to Housing Authority	-	-	-
Extraordinary Gain/(Loss)	-	-	-
Payment to bond escrow agent	(8,410)	-	-
Total other financing sources (uses)	<u>33,096</u>	<u>170</u>	<u>7,508</u>
Net change in fund balances	<u>\$ 33,028</u>	<u>\$ (4,398)</u>	<u>\$ (5,197)</u>
Debt service as a percentage of noncapital expenditures	9.0%	8.5%	7.8%

Source: Finance Department, City of Garden Grove

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
\$ 91,330	\$ 82,531	\$ 77,231	\$ 80,010	\$ 81,823	\$ 92,268	\$ 98,042
962	946	1,128	1,405	1,139	1,554	1,687
2,911	2,673	2,960	2,755	2,629	2,222	2,622
4,859	1,560	1,800	1,780	1,546	1,285	1,275
12,002	10,401	10,084	10,267	9,528	9,943	10,041
50,336	15,617	13,324	12,857	15,945	15,991	11,640
6,393	1,612	3,332	1,991	2,079	11,071	3,847
<u>168,793</u>	<u>115,340</u>	<u>109,859</u>	<u>111,065</u>	<u>114,689</u>	<u>134,334</u>	<u>129,154</u>
18,862	19,996	20,447	20,143	21,672	23,195	23,707
44,727	45,558	45,478	47,027	49,389	51,942	53,168
2,733	2,894	2,595	3,105	3,102	2,959	4,215
5,865	5,880	5,730	5,662	6,886	7,515	7,257
-	-	-	-	-	-	-
3,188	3,519	3,082	3,086	3,408	3,317	3,185
4,037	4,449	4,453	4,562	4,793	5,470	4,852
-	-	-	-	1,944	2,333	2,757
1,664	1,883	1,927	2,019	2,247	2,217	1,939
51,950	10,871	7,761	8,156	7,359	7,229	6,497
7,359	8,805	6,797	7,215	7,600	8,012	7,903
15,754	15,569	10,366	14,956	9,032	7,371	6,754
4,214	4,434	1,939	2,036	1,937	2,097	3,342
4,938	3,226	1,383	1,280	1,199	939	1,184
<u>165,291</u>	<u>127,084</u>	<u>111,958</u>	<u>119,247</u>	<u>120,568</u>	<u>124,596</u>	<u>126,760</u>
<u>3,502</u>	<u>(11,744)</u>	<u>(2,099)</u>	<u>(8,182)</u>	<u>(5,879)</u>	<u>9,738</u>	<u>2,394</u>
41,588	78,846	1,239	3,232	7,761	11,783	1,396
(41,492)	(57,373)	(1,139)	(1,181)	(3,558)	(11,683)	(1,296)
2,500	-	-	-	-	25,962	-
-	1,856	-	-	-	-	-
-	-	-	1,307	22	1,735	4,965
-	-	-	-	-	-	-
-	(98,139)	-	-	-	-	-
-	-	-	-	-	(17,462)	-
<u>2,596</u>	<u>(74,810)</u>	<u>100</u>	<u>3,358</u>	<u>4,225</u>	<u>10,335</u>	<u>5,065</u>
<u>\$ 6,098</u>	<u>\$ (86,554)</u>	<u>\$ (1,999)</u>	<u>\$ (4,824)</u>	<u>\$ (1,654)</u>	<u>\$ 20,073</u>	<u>\$ 7,459</u>
6.1%	6.9%	3.3%	3.2%	2.8%	2.6%	3.8%

**SCHEDULE V
CITY OF GARDEN GROVE
GENERAL GOVERNMENT MAJOR TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Sales Tax	Property Tax	Franchise Tax	Business Operation Tax	Transient Occupancy Tax	Motor Vehicle Tax	Total
2008	19,780,085	14,892,274	2,337,053	2,596,833	12,672,985	14,011,002	66,290,232
2009	16,235,658	15,661,734	2,293,500	2,530,725	11,257,402	14,087,771	62,066,790
2010	14,075,879	14,400,002	2,482,292	2,381,098	10,195,885	513,106	44,048,262
2011	16,776,350	17,254,068	2,349,125	3,425,691	11,696,706	800,742	52,302,682
2012	18,461,031	19,519,146	2,540,297	4,756,384	12,319,744	86,882	57,683,484
2013	19,804,727	35,145,142	2,506,722	4,809,344	14,447,817	90,025	76,803,777
2014	20,285,111	35,286,424	2,483,878	4,953,958	16,442,817	74,506	79,526,694
2015	19,251,431	36,972,309	2,532,706	5,228,239	17,216,510	71,970	81,273,165
2016	22,051,778	40,574,176	2,577,292	5,636,389	20,897,283	70,518	91,807,436
2017	21,792,872	42,113,373	2,532,462	5,781,098	25,121,419	79,429	97,420,653

Source: Finance Department, City of Garden Grove

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

Fiscal Year Ended June 30	City		Taxable Assessed Value	Successor Agency		Taxable Assessed Value ¹	Total Direct Tax Rate
	Secured	Unsecured		Secured ¹	Unsecured ¹		
2008	9,569,537	324,404	9,893,941	2,513,876	275,427	2,789,302	1.030%
2009	9,729,884	346,877	10,076,761	2,770,894	309,969	3,080,863	1.029%
2010	9,306,477	370,450	9,676,927	2,813,239	327,815	3,141,054	1.029%
2011	9,304,082	321,497	9,625,579	2,707,066	302,619	3,009,685	1.064%
2012	9,492,746	303,025	9,795,771	2,689,600	299,937	2,989,537	1.064%
2013	9,580,743	303,685	9,884,428	2,720,784	271,370	2,992,154	1.074%
2014	9,933,103	308,944	10,242,047	2,785,756	295,259	3,081,015	1.074%
2015	10,538,784	356,435	10,895,219	2,897,658	328,394	3,226,052	1.074%
2016	10,568,876	234,280	10,803,155	3,070,910	317,449	3,388,360	1.074%
2017	12,226,724	364,776	12,591,500	3,579,711	363,489	3,943,200	1.074%

NOTE:

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

¹ *The Redevelopment Agency was dissolved in February 2012.
The Successor Agency was created to close out the Redevelopment Agency.*

Source: Orange County Assessor's Office/HdL Coren & Cone

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

Fiscal Year	Basic Levy	City Paramedic	Metropolitan Water District	Orange County	Sanitation and Water	School Services	Other	Total
2008	1.0000	0.02500	0.00450	-	-	-	-	1.02950
2009	1.0000	0.02500	0.00430	-	-	-	-	1.02930
2010	1.0000	0.02500	0.00430	-	-	-	-	1.02930
2011	1.0000	0.06000	0.00430	-	-	-	-	1.06430
2012	1.0000	0.06000	0.00370	-	-	-	-	1.06370
2013	1.0000	0.07000	0.00350	-	-	-	-	1.07350
2014	1.0000	0.07000	0.00350	-	-	-	-	1.07350
2015	1.0000	0.07000	0.00350	-	-	-	-	1.07350
2016	1.0000	0.07000	0.00350	-	-	-	-	1.07350
2017	1.0000	0.07000	0.00350	-	-	-	-	1.07350

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

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

Source: Orange County Tax Rates Book

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

Taxpayer	2017		2008	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
GWGG LLC	\$ 135,341,560	1.07%		
Investel Harbor Resorts LLC	131,220,000	1.04%		
Landmark Marriott Suites LLC	114,573,190	0.91%	93,320,843	0.76%
Bre Paragon MF Crystal View Ca LP	84,007,197	0.67%		
Park Grove Fee Owner LLC	49,223,254	0.39%		
Chatham Rigg LLC	47,621,040	0.38%		
HGGA Promenade	44,587,163	0.35%		
OHI Resort Hotels LLC	42,980,008	0.34%		
SPS Technologies LLC	41,497,118	0.33%		
PPF Industrial	39,841,036	0.32%		
Ashford Anaheim LP			78,161,721	0.63%
KPA Rigg LLC			50,480,000	0.41%
Ohi Resort Hotels LLC			38,026,340	0.31%
American Medical international Inc.			33,847,787	0.27%
Kilroy Realty LP			29,601,489	0.24%
Swedlow Inc.			27,096,832	0.22%
BB Promenade LLC			24,403,504	0.20%
Western Pacific Housing, Inc.			24,120,206	0.20%
Car Noa GGN LLC			24,172,439	0.20%
	<u>\$ 730,891,566</u>	<u>5.80%</u>	<u>\$ 423,231,161</u>	<u>3.44%</u>

Source: Hdl Coren & Cone The City of Garden Grove 2016/17 Top Ten Property Taxpayers

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

Fiscal Year	City Tax Rate (Per \$100)	Total Tax Levied	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2008	0.0030	14,804,471	13,934,785	94.1	366,321	14,301,107	96.6	196,069	1.3%
2009	0.0030	14,783,375	13,920,288	94.2	640,136	14,560,424	98.5	139,682	0.9%
2010	0.0030	14,063,297	13,732,288	97.6	719,481	14,451,770	102.8	422,664	3.0%
2011	0.0030	17,407,275	16,491,089	94.7	520,209	17,011,298	97.7	302,494	1.7%
2012	0.0030	17,792,829	16,539,285	93.0	277,560	16,816,846	94.5	333,343	1.9%
2013	0.0030	19,080,983	18,555,697	97.2	339,959	18,895,656	99.0	264,446	1.4%
2014	0.0030	20,112,895	19,256,287	95.7	281,184	19,537,471	97.1	231,857	1.2%
2015	0.0025	21,411,687	20,704,013	96.7	237,945	20,941,958	97.8	230,751	1.1%
2016	0.0025	22,611,366	21,721,987	96.1	213,997	21,935,984	97.0	517,198	2.3%
2017	0.0025	23,155,878	22,914,391	99.0	206,984	23,121,375	99.9	326,133	1.4%

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

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

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

Fiscal Year Ended June 30	Governmental Activities					Capital Leases ⁴	Total Governmental Activities
	Certificates of Participation 2002 ⁸	Lease Revenue Bonds ⁸	RDA 2008 Bonds	Tax Allocation Bonds ¹	Loans ^{2 3}		
2008	20,995,000	-	2,015,000	53,740,000	43,225,054	2,993,427	122,968,481
2009	20,525,000	-	2,015,000	52,030,000	42,331,431	2,498,371	119,399,802
2010	20,025,000	-	1,955,000	50,265,000	42,304,693	3,221,506	117,771,199
2011	19,510,000	-	1,890,000	48,415,000	44,157,481	2,850,033	116,822,514
2012	18,970,000	-	-	-	7,380,266	2,134,919	28,485,185
2013	18,410,000	-	-	-	6,345,613	1,371,910	26,127,523
2014	17,830,000	-	-	-	5,276,879	817,516	23,924,395
2015	17,210,000	-	-	-	4,128,913	812,176	22,151,089
2016	-	25,568,492	-	-	2,895,399	546,422	29,010,314
2017	-	25,104,126	-	-	69,826	622,676	25,796,628

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

² The City borrowed \$32,000,000 from Union Bank for the Redevelopment Agency in 2008.

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

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

⁵ The City issued \$21,845,000 Sewer COP in 2006.

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

⁷ The City issued \$16,625,000 Water Revenue Bond in 2010.

⁸ The City refunded 2002 COP in 2015 with the 2015A Lease Revenue Bonds.

⁹ The City refunded 2006 sewer COP in 2017.

Source: Finance Department, City of Garden Grove

Business-type Activities						
Water Revenue Bonds ⁷	Sewer Revenue COP ^{5 9}	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ⁶	Debt Per Capita ⁶
14,465,000	21,845,000	11,405,000	47,715,000	170,683,481	0.46%	986
13,790,000	21,845,000	10,950,000	46,585,000	165,984,802	0.42%	950
29,720,000	21,405,000	10,465,000	61,590,000	179,361,199	0.42%	1021
28,670,000	20,945,000	-	49,615,000	166,437,514	0.36%	974
27,390,000	20,470,000	-	47,860,000	76,345,185	0.17%	442
26,826,738	20,298,745	-	47,125,483	73,253,006	0.16%	423
25,382,945	19,769,567	-	45,152,512	69,076,907	0.15%	397
23,884,150	19,220,388	-	43,104,538	65,255,626	0.13%	373
20,775,000	18,365,000	-	39,140,000	68,150,314	0.14%	384
19,571,107	16,740,627	-	36,311,734	62,108,362	0.12%	352

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

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	Certificates of Participation ²	Tax Allocation Bonds	Total		
2008	20,995	53,740	74,735	0.59%	432
2009	20,525	52,030	72,555	0.55%	415
2010	20,025	50,265	70,290	0.55%	400
2011	19,510	48,415	67,925	0.54%	397
2012	18,970	-	18,970	0.15%	110
2013	18,410	-	18,410	0.14%	106
2014	17,830	-	17,830	0.13%	102
2015	17,210	-	17,210	0.12%	98
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds

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

² *The City refunded 2002 COP in 2015.*

Source: Finance Department, City of Garden Grove

**SCHEDULE XII
CITY OF GARDEN GROVE
DIRECT AND OVERLAPPING BONDS AND DEBT
JUNE 30, 2017**

CITY OF GARDEN GROVE

2016-17 Assessed Valuation: \$15,178,644,220

	Total Debt 6/30/2017	% Applicable ¹	City's Share of Debt 6/30/17
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	\$ 74,905,000	0.587%	\$ 439,692
Coast Community College District	805,844,504	6.370%	51,332,295
North Orange County Joint Community College District	240,284,001	2.321%	5,576,992
Rancho Santiago Community College District	258,096,533	6.442%	16,626,579
Rancho Santiago Community College District SFID No. 1	57,025,000	11.253%	6,417,023
Garden Grove Unified School District	329,640,160	58.043%	191,333,038
Anaheim Union High School District	130,663,955	0.074%	96,691
Huntington Beach Union High School District	193,079,998	1.305%	2,519,694
Anaheim School District	175,741,584	0.096%	168,712
Magnolia School District	22,288,305	0.200%	44,577
Westminster School District	92,769,517	7.325%	6,795,367
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 281,350,660
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	\$ 227,516,000	2.891%	\$ 6,577,488
Orange County Pension Obligation Bonds	386,762,539	2.891%	11,181,305
Orange County Board of Education Certificates of Participation	14,440,000	2.891%	417,460
North Orange Regional Occupation Program Certificates of Participation	9,910,000	0.026%	2,577
Coast Community College District General Fund Obligations	3,610,000	6.370%	229,957
Orange Unified School District Certificates of Participation	24,848,145	1.176%	292,214
Orange Unified School District Benefit Obligations	80,865,000	1.176%	950,972
Anaheim Union High School District Certificates of Participation	39,595,000	0.074%	29,300
Huntington Beach Union High School District Certificates of Participation	63,961,090	1.305%	834,692
Westminster School District Certificates of Participation	43,396,659	7.325%	3,178,805
City of Garden Grove Certificates of Participation	23,600,000	100%	23,600,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 47,294,770
Less: MWDOC Water Facilities Corporation (100% self-supporting)			94,457
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 43,435,551
 OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	 \$ 79,375,000	 2.263-100%	 \$ 69,703,924
 TOTAL DIRECT DEBT			 \$ 23,600,000
TOTAL OVERLAPPING DEBT			\$ 374,749,354
COMBINED TOTAL DEBT			\$ 398,349,354 ²

¹ The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

² Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.85%
Total Direct Debt (\$23,600,000)	0.16%
Combined Total Debt	2.62%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$3,230,869,547):

Total Overlapping Tax Increment Debt	2.16%
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Prepared for the City of Garden Grove
Source: California Municipal Statistics, Inc.

**SCHEDULE XIII
CITY OF GARDEN GROVE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2008	2009	2010	2011
Assessed valuation	\$ 9,893,941	\$ 10,076,761	\$ 9,676,927	\$ 9,625,579
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,473,485	2,519,190	2,419,232	2,406,395
Debt limit percentage	15%	15%	15%	15%
Debt limit	371,023	377,879	362,885	360,959
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 371,023</u>	<u>\$ 377,879</u>	<u>\$ 362,885</u>	<u>\$ 360,959</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

¹ Prior year figure amended.

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

Fiscal Year						
2012	2013 ¹	2014 ¹	2015	2016	2017	
\$ 9,795,771	\$ 9,884,428	\$ 10,242,047	\$ 10,895,219	\$ 10,803,155	\$ 12,591,500	
25%	25%	25%	25%	25%	25%	
2,448,943	2,471,107	2,560,512	2,723,805	2,700,789	3,147,875	
15%	15%	15%	15%	15%	15%	
367,341	370,666	384,077	408,571	405,118	472,181	
-	-	-	-	-	-	
<u>\$ 367,341</u>	<u>\$ 370,666</u>	<u>\$ 384,077</u>	<u>\$ 408,571</u>	<u>\$ 405,118</u>	<u>\$ 472,181</u>	
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**SCHEDULE XIV
CITY OF GARDEN GROVE
PLEGDED-REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue	Expenses ¹	Water Revenue Bonds				Coverage
			Resources Available for Debt Service	Debt Service Requirement			
				Principal	Interest	Total	
2008	26,049,669	18,065,826	7,983,843	675,000	612,344	1,287,344	6.20
2009	29,025,085	19,581,536	9,443,549	695,000	592,638	1,287,638	7.33
2010	29,312,717	20,713,227	8,599,490	1,050,000	1,299,320	2,349,320	3.66
2011	30,651,300	21,520,593	9,130,707	1,280,000	1,386,327	2,666,327	3.42
2012	34,492,870	21,413,634	13,079,236	1,320,000	1,495,448	2,815,448	4.65
2013	33,933,081	22,848,625	11,084,456	1,320,000	1,340,727	2,660,727	4.17
2014	35,511,650	21,707,732	13,803,918	1,375,000	1,294,940	2,669,940	5.17
2015	33,374,670	25,146,242	8,228,428	1,430,000	1,225,677	2,655,677	3.10
2016	29,302,117	22,982,489	6,319,628	1,400,000	1,272,458	2,672,458	2.36
2017	32,345,481	26,404,580	5,940,901	1,570,000	817,465	2,387,465	2.49

Source: Finance Department, City of Garden Grove

¹ Total operating expense less depreciation and amortization

² The City entered into a sewer revenue bond agreement on April 1, 2006; the first year's interest was prorated from bond commencement. The debt amortization started in FY09-10 with an annual principal repayment on June 15.

Sewer Revenue Bond							
Fiscal Year	Gross Revenue	Expenses	Resources Available for Debt Service	Debt Service Requirement			Coverage
				Principal ²	Interest ²	Total	
2008	11,206,356	4,023,178	7,183,178	-	1,023,341	1,023,341	7.02
2009	10,074,100	3,462,717	6,611,383	-	1,023,341	1,023,341	6.46
2010	9,956,727	3,044,947	6,911,780	440,000	1,023,341	1,463,341	4.72
2011	9,570,394	2,786,977	6,783,417	460,000	1,005,741	1,465,741	4.63
2012	9,293,119	3,555,210	5,737,909	475,000	987,341	1,462,341	3.92
2013	10,302,890	3,645,873	6,657,017	495,000	968,341	1,463,341	4.55
2014	10,361,393	3,264,411	7,096,982	515,000	948,541	1,463,541	4.85
2015	10,242,532	3,841,962	6,400,570	535,000	927,941	1,462,941	4.38
2016	10,521,215	3,880,996	6,640,219	560,000	906,541	1,466,541	4.53
2017	10,356,150	4,424,964	5,931,186	520,000	676,575	1,196,575	4.96

(Continued)

**SCHEDULE XIV
CITY OF GARDEN GROVE
PLEGGED-REVENUE COVERAGE (Continued)
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Increment ¹	Tax Allocation Bonds			Coverage
		Debt Service Requirement			
		Principal	Interest	Total	
2008	18,915,215	1,710,000	2,647,537	4,357,537	4.34
2009	21,808,918	1,765,000	2,577,763	4,342,763	5.02
2010	21,107,303	1,850,000	2,533,638	4,383,638	4.82
2011	19,632,456	1,945,000	2,402,238	4,347,238	4.52
2012	7,194,875	2,020,000	2,320,413	4,340,413	1.66
2013	4,340,413	2,020,000	2,320,413	4,340,413	1.00
2014	4,337,756	2,105,000	2,232,756	4,337,756	1.00
2015	4,325,406	2,195,000	2,130,406	4,325,406	1.00
2016	-	-	-	-	0.00
2017	-	-	-	-	0.00

Source: Finance Department, City of Garden Grove

¹ Due to the dissolution of the Redevelopment Agency in February 2012, the Tax Increment is now deposited in the City of Garden Grove RPTTF project area.

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

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2008	173,067	3,735,525	21,620	5.0%
2009	174,715	3,979,307	22,993	11.7%
2010	175,618	4,272,291	24,453	12.2%
2011	170,883	4,567,065	26,006	11.2%
2012	172,648	4,371,270	25,580	9.6%
2013	173,075	4,696,862	27,205	7.8%
2014	173,953	4,747,258	27,429	6.5%
2015	174,774	4,924,023	28,307	4.2%
2016	177,303	4,999,605	28,606	4.4%
2017	176,277	5,087,579	28,694	4.8%

Source: State Employment Development Department
California Department of Finance
Center for Demographic Research / Fullerton.edu

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

Employer	2017		2008	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Great Wolf Lodge Southern California	700	0.88%		
Air Industries Company	625	0.79%	538	0.66%
Hyatt Regency	424	0.53%	400	0.49%
GKN Aerospace Transparency Systems, Inc.	409	0.51%	357	0.44%
C&D Zodiac	350	0.44%	300	0.37%
Walmart #4171	325	0.41%		
Costco	323	0.41%		
Full Clip/Customfab Inc.	230	0.29%		
Saint Gobain Performance Plastics	226	0.28%	363	0.45%
Home Depot #6639	207	0.26%		
Crystal Cathedral			600	0.74%
Garden Grove Medical Center			541	0.66%
Leiner Health Products LLC			411	0.50%
Driessen Aircraft Interior Systems			370	0.45%
OfficeMax Inc.			360	0.44%

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

Source: Business Tax Division, City of Garden Grove

**SCHEDULE XVII
CITY OF GARDEN GROVE
FULL-TIME AND PART-TIME CITY EMPLOYEES
BY DEPARTMENT
LAST TEN FISCAL YEARS**

Department	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City Manager	13	12	10	10	9	9	9	9	10	29
Community Development	58	59	59	59	65	58	58	58	53	37
Community Services	149	148	145	143	159	156	157	151	147	146
Economic Development	13	13	13	13	13	-	-	-	-	-
Finance	35	37	37	37	37	39	40	40	41	38
Fire	112	112	111	110	110	107	109	111	111	106
Information Technology	20	20	20	20	20	20	19	19	19	20
Personnel	10	10	9	9	10	9	9	9	10	11
Police	334	334	334	333	302	275	268	273	272	289
Public Works	<u>197</u>	<u>197</u>	<u>196</u>	<u>196</u>	<u>199</u>	<u>194</u>	<u>195</u>	<u>194</u>	<u>196</u>	<u>198</u>
Total	<u>941</u>	<u>942</u>	<u>934</u>	<u>930</u>	<u>924</u>	<u>867</u>	<u>864</u>	<u>864</u>	<u>859</u>	<u>874</u>
Full Time employees	676	685	682	681	676	621	623	633	632	640
Part time employees	265	257	252	249	248	246	241	231	227	234

Source: Budget Division, City of Garden Grove

**SCHEDULE XVIII
CITY OF GARDEN GROVE
OPERATING INDICATORS
BY FUNCTION
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Arrests	6,951	7,316	7,195	6,920	6,651	6,774	6,423	6,478	5,468	6,358
Traffic citations issued	13,627	12,787	15,490	14,945	11,393	13,815	10,903	9,604	9,890	9,114
Fire:										
Number of emergency calls	16,279	16,548	16,306	23,381	25,586	26,739	26,785	26,785	14,627	15,134
Public Right-of-Way:										
Parking citations issued	32,718	30,464	26,660	24,800	24,590	24,571	25,919	28,017	25,500	27,127
Permits issued	1,525	276	269	201	314	406	501	605	546	482
Community Services:										
Number of recreation classes	1,534	1,544	1,398	1,817	1,540	1,987	2,016	2,416	1,918	1,947
Housing vouchers	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337
Community Planning and Development										
Building permits issued	2,879	3,878	3,514	3,881	2,036	2,427	2,808	2,041	2,259	2,233
Water:										
Number of accounts	34,152	34,217	34,239	33,689	33,751	34,206	33,807	33,834	33,870	33,892
Average daily consumption (thousands of gallons)	24,851	23,345	21,843	20,528	21,480	21,324	22,024	20,391	17,563	17,946
Solid Waste Disposal:										
Number of accounts	30,938	30,895	30,723	33,308	33,424	33,886	34,136	33,658	33,968	33,966
Drainage:										
Channels cleaned (miles)	5	5	5	5	5	5	5	5	5	5
Municipal Support:										
Passports issued ¹	569	500	463	292	624	673	507	247	N/A	N/A

Source: City of Garden Grove

¹ Passport services discontinued as of July 1, 2015.

**SCHEDULE XIX
CITY OF GARDEN GROVE
CAPITAL ASSETS STATISTICS
BY FUNCTION
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	7	7	7	7	7	7	7	7	7	7
Public Right-of-Way:										
Streets (miles)	305	305	305	305	305	305	305	305	305	305
Community Services:										
Parks	16	16	16	16	16	16	16	16	19	19
Park acreage	142	142	142	142	142	142	142	142	137	137
Community centers	1	1	1	2	2	2	2	2	2	2
Water:										
Water mains (miles)	360	433	433	433	433	433	433	433	433	433
Number of connections	34,152	34,217	34,239	33,689	33,751	34,206	34,257	34,294	34,313	34,336
Sewage Collection:										
Sanitary sewers (miles)	312	320	320	320	320	320	320	320	320	320
Drainage:										
Storm drains (miles)	35	35	35	35	35	35	35	35	35	35

Source: City of Garden Grove

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GARDEN GROVE