

CITY OF GARDEN GROVE, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT



JULY 1, 2017 -
JUNE 30, 2018



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City of Garden Grove, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
June 30, 2018

Department of Finance

Ellis Chang
Accounting Manager

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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, 2018**

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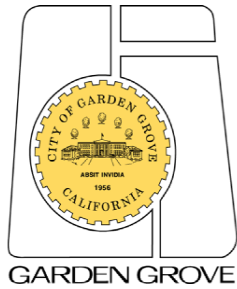
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CITY OF GARDEN GROVE

Steven R. Jones
Mayor
Patrick 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

January 28, 2019

Honorable Mayor, Council, and Citizens of the City of Garden Grove:

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, 2018. 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 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

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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 1950s and 1960s, 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 1970s the initial construction boom was completed and redevelopment was actively pursued with efforts continuing through the 1980s and 1990s and into the 2000s. There have been significant benefits 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 established 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 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

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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 balanced by fund; thus the City Council 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 2017-18, the City transitioned from an annual budget to adoption of a "biennial" budget.

Factors Affecting Financial Condition

U.S., California, Local Economy, and Economic Outlook

Recent data shows continued expansion of the Orange County economy as it adds new residents and jobs. While the Orange County unemployment rate of 2.6 percent reached a 19-year low, this may result in future upward wage pressure. Labor force shortages, rising interest rates, federal budget deficit, and other issues may affect the local economy. If global trade tension continues, construction growth may slow along with the California economy as a result of adverse effects on business sentiment, investment spending, and employment. Nonetheless, the U.S. economic outlook is healthy according to the key economic indicators, and GDP growth is expected to remain between 2 percent to 3 percent, an ideal range. The 2018 through 2020 inflation outlook is around 2.0 to 2.1 percent.

The local economy is stable as the City has diversified revenue sources including a stable property tax base, well-diversified sales tax base, and strong transient occupancy (hotel) tax derived from tourism, including Disneyland, in Orange County. The City's financial outlook is optimistic with modest base 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. However, sales tax is expected to increase beyond the originally anticipated growth rate as a result of a new sales tax measure, Measure O. On July 24, 2018, the Garden Grove City Council voted to place Measure O on the November 2018 ballot which was approved by the citizens of Garden Grove. Measure O, which will become effective April 2019, is a local, 1 percent sales tax which will provide a reliable source of locally-controlled revenue for Garden Grove's public safety and quality-of-life services. 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 anticipated to generate increases in property tax, sales tax, and TOT revenues to the City.

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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, which may create budget challenges for the City. Also, increasing pension costs, particularly unfunded liability requirements, present serious future budget challenges for the City. In December 2016, the CalPERS Board of Administration voted to modify their mortality rate and other actuarial assumptions, including lowering the discount rate from 7.5 percent to 7.0 percent over three years. These changes were effective beginning FY 2017-18, 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 Capital Improvement Program (CIP) identifies the major public improvements to the City's infrastructure over the next five years. The five-year CIP which outlines the City's capital improvement requirements along with projected funding sources is updated annually. 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 (Senate Bill 1) which began providing the City with new funding for street repairs and other roadway projects in FY 2017-18.

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Biennial Budget

The City implemented a biennial (two-year) budget beginning with FY 2017-18 through FY 2018-19. A biennial 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.

Animal Care Services (ACS) Program

On January 1, 2018, the City's ACS program began its second year of operations. The purpose of the transition to a City-run program in 2017 was to better manage escalating costs from Orange County Animal Care while also providing more responsive services to the community. A new temporary animal holding facility which is used to hold animals prior to being transported to the City's contracted shelter and office space at the Municipal Service Center became operational in March 2018.

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, 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 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 City's water 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.

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Consistent with the Sewer System Management Plan, several sewer main line improvements were completed: (1) Priority Sewer Improvement Project 105 and (2) Garden Grove Sanitary District 2017 Sewer Rehabilitation Phase I Project. 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 street capital improvement projects funded through Measure M2 Fairshare, Gas Tax, CalRecycle, Community Development Block Grant grants, and local revenues were completed during FY 2017-18. Moreover, traffic signal synchronization projects funded by the Orange County Transportation Authority were collaborative efforts among various cities. For example, Harbor Boulevard and Chapman Avenue Traffic Signal Synchronization projects increased safety for pedestrians and motorists, improved traffic flow in the community, and enhanced the City's overall aesthetics. As part of the Pavement Management Program, a slurry sealing project encompassing 2.2 million square feet was completed on various residential and collector streets. In addition, various facilities and park improvements were made.

The Fire Department issued a new set of compliant safety clothing (turnout gear) and wild land safety gear to firefighters, as required by the Occupational Safety and Health Administration. The Assistance for Firefighters Grant was also awarded to replace 50-year old fire nozzles and thermal imaging cameras which will increase firefighter safety. In addition, a new cloud-based records management program for the Fire Department was adopted for better administrative service, and a light air unit and a command vehicle were acquired to improve the department's operational safety and efficiency. Fire Station No. 6, the City's first new station in 45 years, had its grand opening in October 2018.

The City is pursuing energy conservation efforts through a citywide energy efficiency modernization project which will begin in FY 2018-19. The goal of the project is to reduce the City's energy, repair, and maintenance costs. The savings from this project is anticipated to offset project costs for needed improvements to parks and other City facilities.

Community Projects and Programs

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 180-unit apartment complex, ancillary clubhouse, and swimming pool which was completed in July 2018. Phase II of the project, which will include an apartment complex with approximately 462 apartment homes, of which up to 120 will be affordable housing units, 58 for-sale condominiums, up to 200,000

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square feet of commercial and retail space, and a 100-key hotel, will follow shortly after completion of Phase I.

The Garden Grove City Council unanimously approved an agreement with Howard CDM for the development of SteelCraft 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. Groundbreaking took place in March 2018 and construction is expected to be completed during the first quarter of 2019.

The Cottage Industries project involves 17 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 hotel projects for Site C and Site B2 that will add additional major hotel brands in the Grove District – Anaheim Resort. Site C includes development of a hotel campus of three full-service hotels 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 with up to 600 new hotel rooms with approximately 164,000 square feet of retail development, including restaurant/bar, fitness center, ballroom, arcade meeting, and retail uses.

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. In June 2017, the City entered into an Affordable Housing Agreement with Mariman and Company for the acquisition and rehabilitation of a 78-unit apartment complex (Sycamore Court) located at 10632 Bolsa Ave. The City approved a loan to the Developer in the amount of \$1.2M in Federal HOME funds in exchange for 77 units of affordable housing, 7 of which are designated as HOME units. The Sycamore Court project was completed in December 2017 and adds an additional 77 units of affordable housing to the City. In June 2018, the City entered into negotiations with Highridge Costa Housing Partners (Developer) to assist in the financing of the rehabilitation of an 82-unit apartment complex for low-income seniors located at 12811 Garden Grove Blvd.

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 Housing Authority scored 97 percent and earned the designation of “High-Performance Agency” for FY 2017-

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18 from the Department of Housing and Urban Development. 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 percent 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 1029 to improve public debt financial transparency. 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.

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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, 2017. 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 effort of many of the staff in the Finance Department and other City departments. We would like to express our appreciation to all City and Finance Department staff who assisted in, and contributed to, its preparation. We particularly would like to commend the Finance Department - Accounting Division team that led this effort. Finally, we would also like to thank the Mayor, the City Council, Board members, 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.



Scott Stiles
City Manager



Ellis Chang
Accounting Manager



Government Finance Officers Association

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

Presented to

**City of Garden Grove
California**

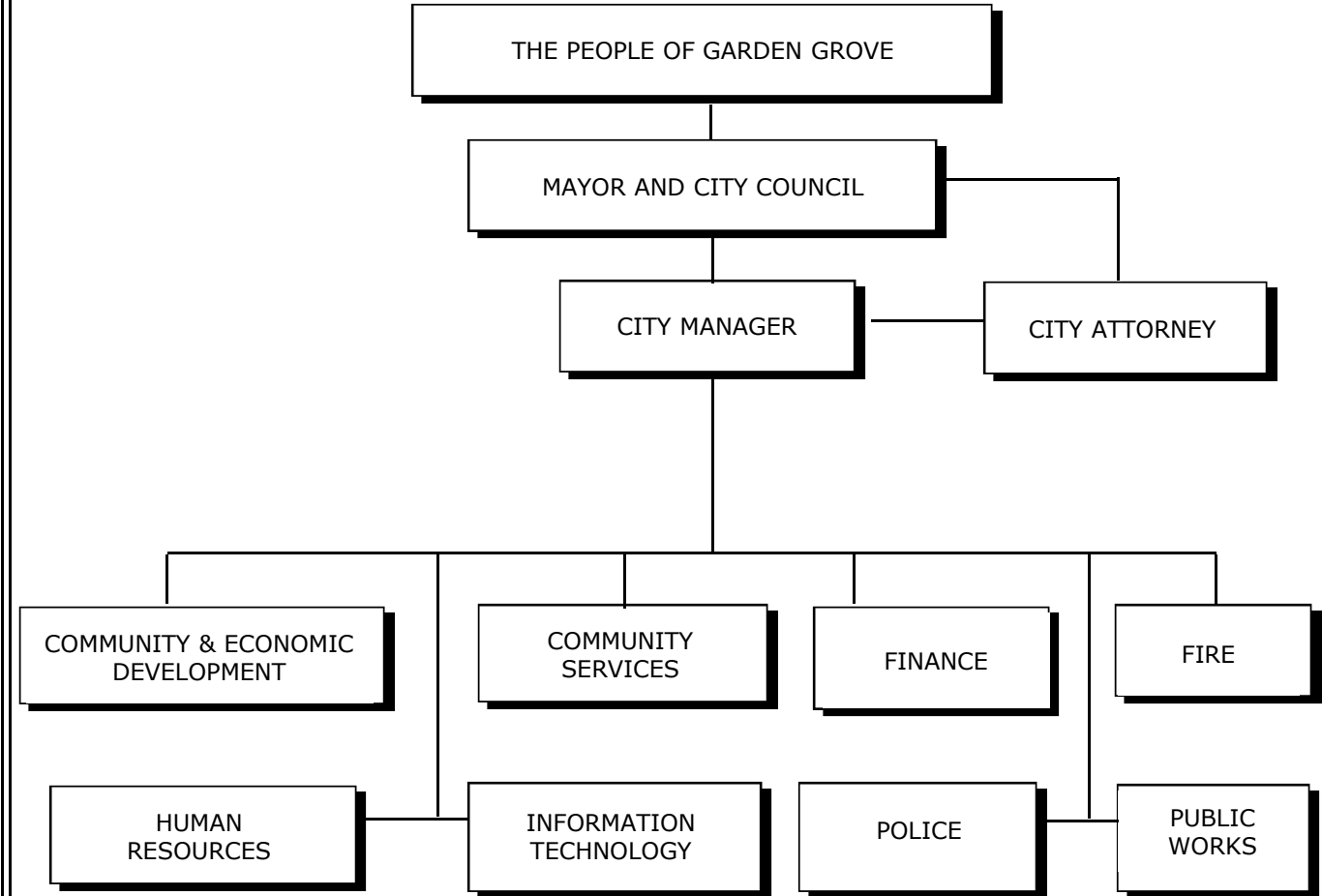
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

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
Mayor Pro Tem – 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
(Retired Sept. 27, 2018)

John Montanchez
Community Services Director

Laura Stover
Human Resources Director

William Murray
Public Works Director

Todd Elgin
Police Chief

Kingsley Okereke
Assistant City Manager/Finance Director
(Retired Sept. 27, 2018)

Tom Schultz
Interim Fire Chief

Lisa Kim
Community and Economic Development Director



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, 2018, 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, 2018, 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

As described further in note 18 to the financial statements, during the year ended June 30, 2018 the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, which resulted in a prior period adjustment. The financial statements for the year ended June 30, 2018 also reflect other prior period adjustments as described further in note 18 to the financial statements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, certain budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Pension Contributions and the Schedule of Changes in total OPEB liability and Related Ratios* 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, certain budgetary comparison schedules, the introductory section and the statistical section* 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 *certain 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report date January 28, 2019 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 "Davis Fan" followed by a stylized flourish.

January 28, 2019
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, 2018. 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, 2018, by \$726.5 million (net position). As of June 30, 2018, the City has total net assets of \$1,091.0 million comprising of \$292.6 in current and other assets and \$798.4 million in capital assets net of accumulated depreciation. Total liabilities plus deferred inflows of resources for the same period totaled \$428.8 million, resulting in the net position of \$726.5 million. Of the \$726.5 million of assets, \$65.5 million is restricted for specific purpose and \$742.9 million represents net investment in capital assets. Hence, the result is unrestricted negative balance of \$81.9 million. The City had a negative unrestricted net position as a result of Governmental Accounting Standard Board (GASB) 68, which resulted in a significant increase in pension liability, and implementation of GASB 75 in the current fiscal year, which required the City to record other postemployment benefits (OPEB) plan in which it participates. See City of Garden Grove Net Position table on page 9. For more information on the City's pension and OPEB plans, see Note D11 and D12, and the required supplemental information section of this report.

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 five components: 1) government-wide financial statements, 2) fund financial statements, 3) proprietary fund financial statements, 4) private-purpose trust fund financial statements, and 5) 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 15 - 17 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 private-purpose trust

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 Housing Successor Agency Capital Projects 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 in the other supplementary information section in this report.

Generally, the City adopts an annual appropriated budget for all of its funds. Budgetary comparison statements has been provided for the general 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 18-21 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 in the other supplementary information section in this report.

The basic proprietary fund financial statements can be found on pages 22 - 29 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 30-31 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 32-91 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 93-100 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 101-135 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 \$726.5 million at the close of the current fiscal year. Governmental activities net position increased by \$7.0 million and business-type activities net position increased by \$2.9 million. The combined effect of the governmental and business-type net position is an overall increase of \$9.9 million compared to the prior fiscal year.

City of Garden Grove, Net Position
(in millions)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 229.6	\$ 194.4	\$ 63.0	\$ 60.1	\$ 292.6	\$ 254.5
Capital assets	<u>644.1</u>	<u>648.9</u>	<u>154.3</u>	<u>152.7</u>	<u>798.4</u>	<u>801.6</u>
Total assets	<u>873.7</u>	<u>843.3</u>	<u>217.3</u>	<u>212.8</u>	<u>1,091.0</u>	<u>1,056.1</u>
Deferred outflow of resources	56.9	45.2	7.4	5.7	64.3	50.9
Long-term liabilities	325.1	286.8	65.5	60.3	390.6	347.1
Other liabilities	<u>22.7</u>	<u>25.1</u>	<u>8.3</u>	<u>9.5</u>	<u>31.0</u>	<u>34.6</u>
Total liabilities	<u>347.8</u>	<u>311.9</u>	<u>73.8</u>	<u>69.8</u>	<u>421.6</u>	<u>381.7</u>
Deferred inflow of resources	5.9	6.7	1.3	2.0	7.2	8.7
Net position	<u>\$ 576.9</u>	<u>\$ 569.9</u>	<u>\$ 149.6</u>	<u>\$ 146.7</u>	<u>\$ 726.5</u>	<u>\$ 716.6</u>
Net investment in capital assets	622.9	632.0	120.0	118.4	742.9	750.4
Restricted	65.5	24.6	-	-	65.5	24.6
Unrestricted	<u>(111.5)</u>	<u>(86.7)</u>	<u>29.6</u>	<u>28.3</u>	<u>(81.9)</u>	<u>(58.4)</u>
Total net position	<u>\$ 576.9</u>	<u>\$ 569.9</u>	<u>\$ 149.6</u>	<u>\$ 146.7</u>	<u>\$ 726.5</u>	<u>\$ 716.6</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, \$65.5 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 17-18, the City has a negative unrestricted net position of \$81.9 million.

**City of Garden Grove, Change in Net Position
(in millions)**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 16.5	\$ 14.6	\$ 48.4	\$ 45.1	\$ 64.9	\$ 59.7
Operating grants and contributions	14.5	14.9	31.5	31.4	46.0	46.3
Capital grants and contributions	2.3	0.5	-	-	2.3	0.5
General revenues:						
Sales taxes	20.7	21.8	-	-	20.7	21.8
Property taxes	30.2	42.1	-	-	30.2	42.1
Other taxes	51.6	33.5	-	-	51.6	33.5
Earnings on investments	1.9	1.3	0.4	0.1	2.3	1.4
Other	0.6	0.5	0.2	0.2	0.8	0.7
Transfers	0.6	0.3	(0.6)	(0.3)	-	-
Total revenues	<u>138.9</u>	<u>129.5</u>	<u>79.9</u>	<u>76.5</u>	<u>218.8</u>	<u>206.0</u>
Expenses:						
Fire	27.4	23.9	-	-	27.4	23.9
Police	64.2	53.8	-	-	64.2	53.8
Traffic safety	5.0	4.4	-	-	5.0	4.4
Public right of way	19.0	18.5	-	-	19.0	18.5
Drainage	1.6	1.4	-	-	1.6	1.4
Community buildings	5.1	5.0	-	-	5.1	5.0
Community services	5.7	5.2	-	-	5.7	5.2
Economic development	3.1	4.3	-	-	3.1	4.3
Parks and greenbelts	5.6	1.9	-	-	5.6	1.9
Community planning and development	9.3	7.0	-	-	9.3	7.0
Municipal support	8.7	8.4	-	-	8.7	8.4
Interest on Long-term debt	1.1	1.2	-	-	1.1	1.2
Water utility	-	-	35.5	31.1	35.5	31.1
Sewage collection	-	-	7.8	7.0	7.8	7.0
Solid waste disposal	-	-	1.9	1.7	1.9	1.7
Housing authority	-	-	33.1	30.4	33.1	30.4
Total expenses	<u>155.8</u>	<u>135.0</u>	<u>78.3</u>	<u>70.2</u>	<u>234.1</u>	<u>205.2</u>
Special items*	30.0	-	-	-	30.0	-
Change in net position	13.1	(5.5)	1.6	6.3	14.7	0.8
Net position, beginning of year, as previously reported	569.9	575.4	146.7	143.5	716.6	718.9
Prior period adjustments **	(6.1)	-	1.3	(3.1)	(4.8)	(3.1)
Net position, beginning of year, as restated	<u>563.8</u>	<u>575.4</u>	<u>148.0</u>	<u>140.4</u>	<u>711.8</u>	<u>715.8</u>
Net position, June 30	<u>\$ 576.9</u>	<u>\$ 569.9</u>	<u>\$ 149.6</u>	<u>\$ 146.7</u>	<u>\$ 726.5</u>	<u>\$ 716.6</u>

* - Please refer to Page 89-90 of the CAFR for a discussion of Special Items.

** - Please refer to Page 90-91 of the CAFR for a discussion of prior period adjustments.

Governmental activities. The City's governmental activities excess revenue over expenses in the current fiscal year is \$13.1 million, which is \$18.6 million higher than the prior fiscal year change in net position of (\$5.5) million. The major items responsible for this change, are: increase in property tax revenue, transient occupancy tax revenue, and motor vehicles tax revenue. In addition, there was an increase in non-cash special item revenue as noted in the financial statements Note D17 of this report. This was offset with an increase in the allocation of unfunded pension cost pursuant to GASB 68 and OPEB liability due to implementation of GASB 75 during the current fiscal year.

Business-type activities. Business-type activities excess of revenues over expenses in the current fiscal year is \$1.6 million, which is \$4.7 million lower than the prior fiscal year change in net position of \$6.3 million. This change was primarily due to allocation of unfunded pension cost pursuant to GASB 68 and OPEB liability due to implementation of GASB 75 during the current fiscal year.

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 18-21.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$115.2 million, an increase of \$37.4 million in comparison with the prior year. Non-spendable fund balance is \$13.5 million (12.0%), restricted fund balance is \$68.6 million (59.0%), and assigned fund balance is \$3.7 million (3.0%). The remainder of the fund balance of \$29.4 million (26.0%) 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 \$9.8 million resulting in a \$49.7 million ending fund balance. The general fund experienced an excess of revenues over expenditures of \$5.5 million primarily attributed to an increase in property tax revenue, transient occupancy tax revenue, and motor vehicle tax revenue.
- **Housing Successor Agency Capital Project fund.** The housing successor agency capital project fund is a major fund of the City and is a capital project fund for low and moderate income housing. At the end of the fiscal year, the fund balance had a net increase of \$14.4 million resulting in a \$22.2 million ending fund balance primarily attributed to an increase in non-cash special item revenue as noted in the financial statements Note D17 of this report.
- **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 22 - 29).

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year, there was a decrease in the amount of \$1.5 million (see page 98) between the original and final amended budget appropriation. The decrease was mainly due to \$1.5 million of Enterprise Resource Planning conversion being transferred, per City council action, from General Fund to the Information Systems Internal Service Fund.

Final budget compared to actual results. Property tax revenue, transient occupancy tax revenue, motor vehicles tax revenue, and permit fees revenue, were stronger than anticipated resulting in a \$7.5 million increase in actual over estimated revenues. Furthermore, the City’s concerted effort to contain costs resulted in cost savings of \$4.7 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, 2018 is \$798.4 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 \$3.2 million due to sale of land and infrastructure deletions. The value of the City’s capital assets as of June 30, 2018 is as follows:

	<u>Government activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 415.6	\$ 418.7	\$ 2.0	\$ 2.6	\$ 417.6	\$ 421.3
Construction in progress	5.0	3.6	3.2	4.9	8.2	8.5
Depreciable Capital Assets	<u>223.5</u>	<u>226.6</u>	<u>149.1</u>	<u>145.2</u>	<u>372.6</u>	<u>371.8</u>
Total capital assets	<u>\$ 644.1</u>	<u>\$ 648.9</u>	<u>\$ 154.3</u>	<u>\$ 152.7</u>	<u>\$ 798.4</u>	<u>\$ 801.6</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 \$2.7 million
- Improvements to the City’s street system of \$6.0 million
- Improvements to the City’s storm drains of \$0.6 million

Additional information on the City’s capital assets can be found in the financial statements Note D7 of this report.

Long-term debt. The City’s long-term debt was \$59.4 million at the end of the fiscal year. Debt decreased by \$2.8 million from the prior year as a result of normal principal debt pay.

California statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of its total assessed valuation. The City’s assessed valuation as of June 30, 2018 is \$13.2 billion. The applicable general obligation debt limit for the City is \$495.0 million. There are no outstanding general obligation bonds of the City for the fiscal year ended June 30, 2018.

Additional information on the City’s long-term debt can be found in the financial statements Note D8 of this report.

City of Garden Grove, Outstanding Debt
(in millions)

	<u>Government activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Lease revenue bonds	\$ 24.6	\$ 25.1	\$ -	\$ -	\$ 24.6	\$ 25.1
Agreements payable	0.1	0.1	-	-	0.1	0.1
Capital lease purchase	0.5	0.6	-	-	0.5	0.6
Sewer revenue bonds	-	-	16.1	16.7	16.1	16.7
Water revenue bonds	-	-	18.1	19.7	18.1	19.7
Total	<u>\$ 25.2</u>	<u>\$ 25.8</u>	<u>\$ 34.2</u>	<u>\$ 36.4</u>	<u>\$ 59.4</u>	<u>\$ 62.2</u>

ECONOMIC FACTORS AND NEXT YEAR'S

The national economy continues to show steady growth with gross domestic product projected to increase an average of 2.0% to 3.0% 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. On November 6, 2018, the Garden Grove residents approved Measure O. This measure will increase the City's sale tax by 1 percent, which will provide a reliable source locally-controlled revenue for Garden Grove's public safety and quality-of-life services. 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 and OPEB liability presents serious future budget challenges for the City.

The City remains optimistic for FY 2018-19. The biennial budget with all funds is balanced and includes a total operating budget of \$226.2 million for FY 2018-19 (amended budget). The FY 2018-19 (amended budget) capital improvement budget is \$23.0 million.

REQUESTS FOR INFORMATION

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

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Basic Financial Statements

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CITY OF GARDEN GROVE
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 155,586,435	\$ 66,120,085	\$ 221,706,520
Cash and investments with fiscal agents	4,776,677	699,001	5,475,678
Taxes receivable	6,567,336	60,602	6,627,938
Accounts receivable	3,230,206	6,647,988	9,878,194
Interest receivable	710,987	294,386	1,005,373
Intergovernmental receivable	1,029,453	8,183	1,037,636
Internal balances	10,887,025	(10,887,025)	-
Inventory	442,177	-	442,177
Prepaid items	434,829	5,072	439,901
Deposits	1,720	13,319	15,039
Notes receivable, net	29,572,817	6,103	29,578,920
Due from Successor Agency	13,254,260	-	13,254,260
Land held for resale	2,995,594	-	2,995,594
Prepaid bond insurance costs	111,783	-	111,783
Capital assets:			
Land	415,519,298	2,009,789	417,529,087
Construction in progress	5,049,224	3,188,279	8,237,503
Depreciable capital assets, net	223,532,252	149,055,071	372,587,323
Total assets	<u>873,702,073</u>	<u>217,220,853</u>	<u>1,090,922,926</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding of debt	-	81,659	81,659
OPEB related items	365,927	46,472	412,399
Pension related items	56,580,792	7,233,510	63,814,302
Total deferred outflows	<u>56,946,719</u>	<u>7,361,641</u>	<u>64,308,360</u>
LIABILITIES			
Accounts payable	3,986,292	5,032,270	9,018,562
Accrued liabilities	3,218,737	392,433	3,611,170
Refundable deposits	1,644,646	646,855	2,291,501
Interest payable	353,039	60,805	413,844
Unearned revenue	52,354	-	52,354
Noncurrent liabilities:			
Due within one year	13,575,871	2,270,686	15,846,557
Due in more than one year	56,630,919	31,916,868	88,547,787
OPEB liability	16,131,822	2,048,801	18,180,623
Net pension liability	252,338,168	31,335,496	283,673,664
Total liabilities	<u>347,931,848</u>	<u>73,704,214</u>	<u>421,636,062</u>
DEFERRED INFLOWS OF RESOURCES			
Unamortized gain on refunding of debt	-	193,427	193,427
Pension related items	5,866,886	1,053,688	6,920,574
Total deferred inflows	<u>5,866,886</u>	<u>1,247,115</u>	<u>7,114,001</u>
NET POSITION			
Net investment in capital assets	622,932,383	119,953,817	742,886,200
Restricted for:			
Public safety	1,879,982	-	1,879,982
Public right of way	8,614,694	-	8,614,694
Drainage	475,141	-	475,141
Community planning and development	51,918,050	-	51,918,050
Community services	2,567,991	-	2,567,991
Unrestricted	(111,538,183)	29,677,348	(81,860,835)
Total net position	<u>\$ 576,850,058</u>	<u>\$ 149,631,165</u>	<u>\$ 726,481,223</u>

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, 2018**

<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	\$ 27,427,846	\$ 1,829,978	\$ 282,140
Police	64,245,075	3,599,566	1,504,682
Traffic safety	5,088,092	1,354,893	431,650
Public right of way	18,952,684	405,901	8,667,069
Drainage	1,560,966	-	-
Community buildings	5,096,124	-	-
Community services	5,677,118	1,144,783	-
Economic development	3,098,717	-	-
Parks and greenbelts	5,628,081	833,861	332,290
Community planning and development	9,340,417	3,604,668	2,797,727
Municipal support	8,720,740	3,729,886	535,221
Interest on long term debt	1,133,035	-	-
Total governmental activities	155,968,895	16,503,536	14,550,779
Business-type activities:			
Water utility	35,409,949	35,594,886	-
Sewage collection	7,786,181	10,467,362	-
Solid waste disposal	1,884,525	2,369,356	-
Housing authority	33,129,935	-	31,460,950
Total business-type activities	78,210,590	48,431,604	31,460,950
Total	\$ 234,179,485	\$ 64,935,140	\$ 46,011,729

General revenues:

Taxes:

Sales taxes

Property taxes, levied for general purposes

Franchise taxes

Business operation taxes

Transient occupancy taxes

Motor vehicle taxes, unrestricted

Investment income

Miscellaneous

Special item (Note 17)

Transfers

Total general revenues, special item and transfers

Change in net position

Net position, beginning of year, as restated (Note 18)

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
\$ -	\$ (25,315,728)	\$ -	\$ (25,315,728)
137,491	(59,003,336)	-	(59,003,336)
263,560	(3,037,989)	-	(3,037,989)
-	(9,879,714)	-	(9,879,714)
93,744	(1,467,222)	-	(1,467,222)
-	(5,096,124)	-	(5,096,124)
28,375	(4,503,960)	-	(4,503,960)
-	(3,098,717)	-	(3,098,717)
1,806,231	(2,655,699)	-	(2,655,699)
-	(2,938,022)	-	(2,938,022)
-	(4,455,633)	-	(4,455,633)
-	(1,133,035)	-	(1,133,035)
<u>2,329,401</u>	<u>(122,585,179)</u>	<u>-</u>	<u>(122,585,179)</u>
-	-	184,937	184,937
-	-	2,681,181	2,681,181
-	-	484,831	484,831
-	-	(1,668,985)	(1,668,985)
<u>-</u>	<u>-</u>	<u>1,681,964</u>	<u>1,681,964</u>
<u>\$ 2,329,401</u>	<u>(122,585,179)</u>	<u>1,681,964</u>	<u>(120,903,215)</u>
	20,736,558	-	20,736,558
	47,032,917	-	47,032,917
	2,408,395	-	2,408,395
	6,251,994	-	6,251,994
	25,982,696	-	25,982,696
	92,789	-	92,789
	1,870,375	409,764	2,280,139
	622,031	208,636	830,667
	30,029,393	-	30,029,393
	580,857	(580,857)	-
	<u>135,608,005</u>	<u>37,543</u>	<u>135,645,548</u>
	13,022,826	1,719,507	14,742,333
	<u>563,827,232</u>	<u>147,911,658</u>	<u>711,738,890</u>
	<u>\$ 576,850,058</u>	<u>\$ 149,631,165</u>	<u>\$ 726,481,223</u>

**CITY OF GARDEN GROVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Housing Successor			Total Governmental Funds
	General Fund	Agency Capital Project Fund	Nonmajor Governmental Funds	
ASSETS				
Cash and cash investments	\$ 30,594,736	\$ 730,829	\$ 18,824,058	\$ 50,149,623
Cash and cash investments with fiscal agents	136	-	4,776,541	4,776,677
Taxes receivable	6,144,106	-	423,230	6,567,336
Accounts receivable	2,180,582	-	828,883	3,009,465
Interest receivable	364,730	3,568	54,505	422,803
Intergovernmental receivable	-	-	1,029,453	1,029,453
Intercity loans receivable, net	13,455,995	-	-	13,455,995
Due from Successor Agency	-	13,254,260	-	13,254,260
Deposits and prepaid items	16,970	-	3,749	20,719
Notes receivable, net	2,255,090	5,444,806	21,872,921	29,572,817
Land held for resale	-	2,995,594	-	2,995,594
Total assets	<u>\$ 55,012,345</u>	<u>\$ 22,429,057</u>	<u>\$ 47,813,340</u>	<u>\$ 125,254,742</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 925,658	\$ 198,184	\$ 1,733,847	\$ 2,857,689
Accrued liabilities	1,694,946	1,486	1,145,833	2,842,265
Refundable deposits	1,619,380	-	23,813	1,643,193
Intercity loan payable	-	-	52,354	52,354
Due to other funds	-	-	1,081,344	1,081,344
Total liabilities	<u>4,239,984</u>	<u>199,670</u>	<u>4,037,191</u>	<u>8,476,845</u>
Deferred inflows of resources:				
Unavailable revenue	1,104,314	-	490,438	1,594,752
Total Deferred inflows	<u>1,104,314</u>	<u>-</u>	<u>490,438</u>	<u>1,594,752</u>
Fund balances:				
Non-Spendable:				
Intercity loan	13,455,995	-	-	13,455,995
Prepaid items	16,970	-	-	16,970
Restricted:				
Public safety	84,181	-	5,335,797	5,419,978
Public right of way	280	-	9,021,011	9,021,291
Drainage	-	-	412,565	412,565
Community planning and development	2,763,610	22,229,387	26,146,468	51,139,465
Community services	165,734	-	2,369,870	2,535,604
Municipal support and services	34,612	-	-	34,612
Assigned:				
Post-employment benefits	1,000,000	-	-	1,000,000
Property tax lawsuit	500,000	-	-	500,000
Building improvements	1,300,000	-	-	1,300,000
General plan	301,492	-	-	301,492
Paramedic Tax	617,195	-	-	617,195
Unassigned	29,427,978	-	-	29,427,978
Total fund balances	<u>49,668,047</u>	<u>22,229,387</u>	<u>43,285,711</u>	<u>115,183,145</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 55,012,345</u>	<u>\$ 22,429,057</u>	<u>\$ 47,813,340</u>	<u>\$ 125,254,742</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, 2018

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

Fund balances - total governmental funds (page 18)	\$	115,183,145
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.		631,608,514
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.		1,594,752
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.		63,904,951
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.		(25,031,395)
The OPEB 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 OPEB costs are deferred and amortized in the statement of activities. This amount is the net effect of the treatment of OPEB liability and deferred outflows of resources from OPEB contributions.		(15,163,254)
The 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.		(195,246,655)
		(195,246,655)
Net position of governmental activities	\$	576,850,058

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, 2018**

	Housing Successor			Total Governmental Funds
	General Fund	Agency Capital Project Fund	Nonmajor Governmental Funds	
REVENUES:				
Taxes	\$ 98,957,130	\$ -	\$ 4,132,763	\$ 103,089,893
Licenses and permits	1,969,553	-	35,025	2,004,578
Fines, forfeits and penalties	2,028,031	-	1,106,308	3,134,339
Investment earnings	1,233,957	109,127	503,269	1,846,353
Charges for current services	7,266,859	-	4,678,139	11,944,998
From other agencies	258,685	-	11,788,776	12,047,461
Other revenues	3,482,218	-	711,056	4,193,274
Total revenues	<u>115,196,433</u>	<u>109,127</u>	<u>22,955,336</u>	<u>138,260,896</u>
EXPENDITURES:				
Current:				
Fire	24,718,290	-	348,963	25,067,253
Police	54,672,769	-	1,455,072	56,127,841
Traffic safety	1,980,534	-	1,944,482	3,925,016
Public right of way	5,021,633	-	2,175,797	7,197,430
Drainage	65,559	-	-	65,559
Community buildings	3,421,453	-	-	3,421,453
Community services	2,808,902	-	1,877,751	4,686,653
Economic development	738,494	-	2,360,215	3,098,709
Parks and greenbelts	1,544,635	-	780,391	2,325,026
Community planning and development	5,450,619	1,120,708	1,411,002	7,982,329
Municipal support	7,478,070	-	148,201	7,626,271
Capital outlay:				
Fire	11,350	-	3,482,855	3,494,205
Police	-	-	1,201,519	1,201,519
Traffic safety	160,440	-	21,105	181,545
Public right of way	-	-	5,849,492	5,849,492
Drainage	-	-	29,718	29,718
Community buildings	-	-	18,293	18,293
Parks and greenbelts	-	-	163,486	163,486
Debt service:				
Principal retirement	572,744	-	-	572,744
Interest and other charges	1,087,349	-	-	1,087,349
Total expenditures	<u>109,732,841</u>	<u>1,120,708</u>	<u>23,268,342</u>	<u>134,121,891</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,463,592</u>	<u>(1,011,581)</u>	<u>(313,006)</u>	<u>4,139,005</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,329,772	-	495,950	2,825,722
Transfers out	(495,950)	-	(757,288)	(1,253,238)
Total other financing sources (uses)	<u>1,833,822</u>	<u>-</u>	<u>(261,338)</u>	<u>1,572,484</u>
Special item	<u>2,502,947</u>	<u>15,424,125</u>	<u>12,102,321</u>	<u>30,029,393</u>
Net change in fund balances	9,800,361	14,412,544	11,527,977	35,740,882
Fund balances, beginning of year, as restated (Note 18)	<u>39,867,686</u>	<u>7,816,843</u>	<u>31,757,734</u>	<u>79,442,263</u>
Fund balances, end of year	<u>\$ 49,668,047</u>	<u>\$ 22,229,387</u>	<u>\$ 43,285,711</u>	<u>\$ 115,183,145</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, 2018**

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

Net change in fund balances - total governmental funds (page 20)	\$ 35,740,882
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.	(6,448,020)
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.	628,596
Some revenues in statement of activities that do not provide current financial resources are not reported as revenues in the funds.	225,660
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.	(5,089,834)
OPEB costs do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(725,112)
Pension costs do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(11,309,346)</u>
Change in net position of governmental activities	<u><u>\$ 13,022,826</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, 2018**

	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	\$ 21,720,389	\$ 37,866,991	\$ 6,324,376	\$ 208,329	\$ 66,120,085	\$ 105,436,812
Cash and cash investments with fiscal agents	699,001	-	-	-	699,001	-
Taxes receivable	-	30,340	30,262	-	60,602	-
Accounts receivable	5,317,866	1,171,484	154,426	4,212	6,647,988	220,741
Interest receivable	96,598	169,390	28,398	-	294,386	288,184
Due from other funds	-	-	-	-	-	1,417,812
Intergovernmental receivable	-	-	-	8,183	8,183	-
Inventory	-	-	-	-	-	442,177
Prepaid items	-	-	-	5,072	5,072	414,110
Total current assets	<u>27,833,854</u>	<u>39,238,205</u>	<u>6,537,462</u>	<u>225,796</u>	<u>73,835,317</u>	<u>108,219,836</u>
Noncurrent assets:						
Deposits	-	-	-	13,319	13,319	1,720
Intercity loans receivable, net	-	-	-	-	-	3,204,048
Notes receivable	-	6,103	-	-	6,103	-
Capital assets:						
Land	1,471,805	537,984	-	-	2,009,789	-
Construction in progress	1,351,693	1,836,586	-	-	3,188,279	91,661
Depreciable capital assets, net	86,170,382	62,884,689	-	-	149,055,071	12,400,599
Total noncurrent assets	<u>88,993,880</u>	<u>65,265,362</u>	<u>-</u>	<u>13,319</u>	<u>154,272,561</u>	<u>15,698,028</u>
Total assets	<u>116,827,734</u>	<u>104,503,567</u>	<u>6,537,462</u>	<u>239,115</u>	<u>228,107,878</u>	<u>123,917,864</u>
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized loss on refunding of debt	81,659	-	-	-	81,659	-
OPEB related items	27,523	6,768	3,158	9,023	46,472	13,988
Pension related items	3,672,293	1,734,138	364,963	1,462,116	7,233,510	1,833,878
Total Deferred Outflows	<u>3,781,475</u>	<u>1,740,906</u>	<u>368,121</u>	<u>1,471,139</u>	<u>7,361,641</u>	<u>1,847,866</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	4,206,002	725,691	80,947	19,630	5,032,270	1,128,603
Accrued liabilities	161,647	108,465	67,901	54,420	392,433	376,472
Refundable deposits	484,480	-	-	162,375	646,855	1,453
Interest payable	33,264	27,541	-	-	60,805	76
Due to other funds	-	-	-	336,468	336,468	-
Current portion of long-term obligations						
Capital leases	-	-	-	-	-	100,525
Accrued compensated absences	-	-	-	-	-	7,211,457
Claims payable	-	-	-	-	-	5,619,420
Long-term debt	1,658,230	612,456	-	-	2,270,686	-
Total current liabilities	<u>6,543,623</u>	<u>1,474,153</u>	<u>148,848</u>	<u>572,893</u>	<u>8,739,517</u>	<u>14,438,006</u>
Noncurrent liabilities:						
Noncurrent portion of long-term obligations:						
Capital leases	-	-	-	-	-	347,043
Accrued compensated absences	-	-	-	-	-	379,550
Claims payable	-	-	-	-	-	31,758,580
Intercity loans payable	13,455,995	-	-	-	13,455,995	3,204,048
Long-term debt	16,381,153	15,535,715	-	-	31,916,868	-
Net pension liability	15,908,337	7,512,270	1,581,014	6,333,875	31,335,496	7,944,349
OPEB liability	1,213,367	298,369	139,239	397,826	2,048,801	616,629
Total noncurrent liabilities	<u>46,958,852</u>	<u>23,346,354</u>	<u>1,720,253</u>	<u>6,731,701</u>	<u>78,757,160</u>	<u>44,250,199</u>
Total liabilities	<u>53,502,475</u>	<u>24,820,507</u>	<u>1,869,101</u>	<u>7,304,594</u>	<u>87,496,677</u>	<u>58,688,205</u>
DEFERRED INFLOWS OF RESOURCES						
Unamortized gain on refunding of debt	-	193,427	-	-	193,427	-
Pension related items	534,934	252,608	53,163	212,983	1,053,688	267,136
Total Deferred Inflows	<u>534,934</u>	<u>446,035</u>	<u>53,163</u>	<u>212,983</u>	<u>1,247,115</u>	<u>267,136</u>
NET POSITION						
Net investment in capital assets	71,036,156	48,917,661	-	-	119,953,817	12,044,692
Unrestricted	(4,464,356)	32,060,270	4,983,319	(5,807,323)	26,771,910	54,765,697
Total net position (deficit)	<u>\$ 66,571,800</u>	<u>\$ 80,977,931</u>	<u>\$ 4,983,319</u>	<u>\$ (5,807,323)</u>	<u>146,725,727</u>	<u>\$ 66,810,389</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					2,905,438	
Net position of business-type activities					<u>\$ 149,631,165</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, 2018

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
Operating revenues:		
Charges for services	\$ -	\$ -
Water sales	35,513,716	-
Section 8 grant revenue	-	-
Solid waste disposal fees	-	-
Property assessments	-	3,143,687
Sewer user fees	-	7,321,091
Other	81,170	2,584
Total operating revenues	<u>35,594,886</u>	<u>10,467,362</u>
Operating expenses:		
Salaries and wages	8,048,241	3,517,553
Employee benefits	-	-
Contractual services	5,788,290	1,401,018
Liability claims	-	-
Materials and supplies	384,141	90,716
Water production expenses	16,081,194	-
Housing assistance payment	-	-
Depreciation and amortization	3,213,366	1,679,524
Total operating expenses	<u>33,515,232</u>	<u>6,688,811</u>
Operating income (loss)	<u>2,079,654</u>	<u>3,778,551</u>
Nonoperating revenues (expenses):		
Investment income	153,521	163,966
(Loss) gain on disposal of assets	(137,899)	(485,786)
Other nonoperating revenues	198,460	10,176
Interest expense	(1,687,796)	(675,925)
Total nonoperating (expenses) revenues	<u>(1,473,714)</u>	<u>(987,569)</u>
Income (loss) before transfers and capital contributions	605,940	2,790,982
Capital contributions	-	-
Transfers In	-	-
Transfers out	<u>(80,857)</u>	<u>(300,000)</u>
Change in net position	525,083	2,490,982
Total net position, beginning of year as restated	<u>66,046,717</u>	<u>78,486,949</u>
Total net position, end of year	<u>\$ 66,571,800</u>	<u>\$ 80,977,931</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	
\$ -	\$ -	\$ -	\$ 63,509,989
-	-	35,513,716	-
-	31,353,572	31,353,572	-
1,940,568	-	1,940,568	-
426,561	-	3,570,248	-
-	-	7,321,091	-
2,227	107,378	193,359	113,656
<u>2,369,356</u>	<u>31,460,950</u>	<u>79,892,554</u>	<u>63,623,645</u>
800,257	3,254,566	15,620,617	18,072,562
-	-	-	27,629,446
1,082,373	265,600	8,537,281	4,014,892
-	-	-	12,990,453
1,895	32,344	509,096	3,472,497
-	-	16,081,194	-
-	29,577,425	29,577,425	-
-	-	4,892,890	1,413,102
<u>1,884,525</u>	<u>33,129,935</u>	<u>75,218,503</u>	<u>67,592,952</u>
<u>484,831</u>	<u>(1,668,985)</u>	<u>4,674,051</u>	<u>(3,969,307)</u>
91,011	1,266	409,764	(130,085)
-	-	(623,685)	18,647
-	-	208,636	-
-	-	(2,363,721)	(47,143)
<u>91,011</u>	<u>1,266</u>	<u>(2,369,006)</u>	<u>(158,581)</u>
575,842	(1,667,719)	2,305,045	(4,127,888)
-	-	-	25,000
-	-	-	580,857
<u>(200,000)</u>	<u>-</u>	<u>(580,857)</u>	<u>(1,572,484)</u>
375,842	(1,667,719)	1,724,188	(5,094,515)
<u>4,607,477</u>	<u>(4,139,604)</u>		<u>71,904,904</u>
<u>\$ 4,983,319</u>	<u>\$ (5,807,323)</u>		<u>\$ 66,810,389</u>
		<u>(4,681)</u>	
		<u>\$ 1,719,507</u>	

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds	
	Water Utility	Sewage Collection
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and user departments	\$ 34,815,601	\$ 11,578,104
Payments to suppliers	(22,769,496)	(1,090,019)
Payments to employees	(7,482,076)	(3,346,191)
Payments for employee benefits	-	-
Net cash provided (used) by operating activities	<u>4,564,029</u>	<u>7,141,894</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from other funds	-	-
Cash paid to other funds	-	(300,000)
Net cash used provided by noncapital financing activities	<u>-</u>	<u>(300,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(2,575,459)	(2,406,130)
Proceeds of sale of capital assets	-	305,000
Principal paid on capital debt	(1,570,000)	(520,000)
Interest paid on capital debt	(1,477,358)	(676,575)
Net cash used by capital and related financing activities	<u>(5,622,817)</u>	<u>(3,297,705)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	253,117	447,957
Decrease in fair value of investments	(142,560)	(368,980)
Net cash provided (used) by investing activities	<u>110,557</u>	<u>78,977</u>
Net (decrease) increase in cash and cash equivalents	(948,231)	3,623,166
Cash and cash equivalents, beginning of year	<u>23,367,621</u>	<u>34,243,825</u>
Cash and cash equivalents, end of year	<u>\$ 22,419,390</u>	<u>\$ 37,866,991</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
\$ 4,043,924	\$ 31,490,167	\$ 81,927,796	\$ 60,698,823
(2,852,429)	(29,913,906)	(56,625,850)	(14,623,944)
(609,077)	(2,484,566)	(13,921,910)	(17,443,373)
-	-	-	(28,406,609)
582,418	(908,305)	11,380,036	224,897
-	336,468	336,468	2,701,690
(200,000)	-	(500,000)	(3,433,564)
(200,000)	336,468	(163,532)	(731,874)
-	-	(4,981,589)	(1,454,871)
-	-	305,000	85,830
-	-	(2,090,000)	(179,848)
-	-	(2,153,933)	(4,505)
-	-	(8,920,522)	(1,553,394)
76,168	2,786	780,028	941,671
-	-	(511,540)	(1,209,716)
76,168	2,786	268,488	(268,045)
458,586	(569,051)	2,564,470	(2,328,416)
5,865,790	777,380	64,254,616	107,765,228
<u>\$ 6,324,376</u>	<u>\$ 208,329</u>	<u>\$ 66,819,086</u>	<u>\$ 105,436,812</u>

(continued)

**CITY OF GARDEN GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	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)	\$ 2,079,654	\$ 3,778,551
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	3,213,366	1,679,524
Other nonoperating revenues (expenses)	28,211	10,176
Decrease (increase) in taxes receivable	-	1,266
Decrease (increase) in accounts receivable	(964,013)	55,219
Decrease (increase) in intergovernmental receivable	-	-
Decrease (increase) in notes receivable	-	893
Decrease (increase) in inventory	-	-
Decrease (increase) in prepaid expenses	-	-
Decrease (increase) in deposits	15,000	-
Increase (decrease) in accounts payable	(1,720,296)	710,327
Increase (decrease) in accrued compensated absences	-	-
Increase (decrease) in accrued liabilities	(115,732)	(5,095)
Increase (decrease) in refundable deposits	(973)	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in claims payable	-	-
Increase (decrease) in OPEB liability and related changes in deferred outflows	56,705	13,944
Increase (decrease) in net pension liability and related changes in deferred outflows and inflows of resources	1,972,107	897,089
Total adjustments	<u>2,484,375</u>	<u>3,363,343</u>
Net cash provided (used) by operating activities	<u>\$ 4,564,029</u>	<u>\$ 7,141,894</u>

Supplemental schedule of noncash financing activities:

During the year-ended June 30, 2018, the Telephone System Internal Service Fund acquired equipment in exchange for capital lease obligation totaling \$248,114.

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
\$ 484,831	\$ (1,668,985)	\$ 4,674,051	\$ (3,969,307)
-	-	4,892,890	1,413,102
-	-	38,387	-
6,520	-	7,786	-
3,380	5,472	(899,942)	50,290
-	(1,080)	(1,080)	-
-	-	893	-
-	-	-	43,487
-	(5,072)	(5,072)	(406,235)
-	-	15,000	32,100
58,158	5,490	(946,321)	(1,262,270)
-	-	-	(2,502,115)
(11,112)	(37,085)	(169,024)	220,909
-	(14,133)	(15,106)	(231)
(157,378)	-	(157,378)	-
-	-	-	5,528,999
6,507	18,593	95,749	28,820
191,512	788,495	3,849,203	1,047,348
97,587	760,680	6,705,985	4,194,204
\$ 582,418	\$ (908,305)	\$ 11,380,036	\$ 224,897

**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, 2018**

ASSETS

Current assets:

Cash and cash investments	\$ 16,303,338
Cash and cash investments with fiscal agents	5,475,789
Accounts receivable	10,212
Interest receivable	55,913
Total current assets	21,845,252

Noncurrent assets:

Prepaid bond insurance costs	595,245
Land held for resale	26,511,026
Total noncurrent assets	27,106,271

Total assets	48,951,523
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Deferred outflows of resources:

Unamortized loss on refunding of debt	389,206
Total deferred outflows	389,206

LIABILITIES

Current liabilities:

Accounts payable	3,387,048
Accrued liabilities	90,463
Interest payable	768,725
Current portion of long-term obligations	7,156,557
Total current liabilities	11,402,793

Noncurrent liabilities:

Noncurrent portion of long-term obligations:	
Long-term debt	89,698,905
Total noncurrent liabilities	89,698,905

Total liabilities	101,101,698
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NET POSITION

Held in trust for redevelopment dissolution	\$ (51,760,969)
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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, 2018**

ADDITIONS	
Taxes	\$ 17,693,119
Investment earnings	164,974
Other revenues	133,300
Total additions	<u>17,991,393</u>
DEDUCTIONS	
Program expenses	4,154,799
Administrative expenses	580,707
Interest and fiscal agency expenses	3,316,824
Loss on asset disposal	1,355,189
Total deductions	<u>9,407,519</u>
Special item (Note 17)	<u>(13,254,260)</u>
CHANGE IN NET POSITION	(4,670,386)
NET POSITION, BEGINNING OF YEAR	<u>(47,090,583)</u>
NET POSITION, END OF YEAR	<u><u>\$ (51,760,969)</u></u>

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

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

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 took 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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting Entity (continued)

- 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.

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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

Property taxes, franchise taxes, licenses, 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.

The City reports the following major governmental funds:

General Fund

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

Housing Successor Agency Capital Project Fund

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

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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)**

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.

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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, Liabilities, and Net Position or Fund Balance (continued)

c. Taxes Receivable (continued)

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 7, 2017	7% - 10%
November 28, 2017	5% - 10%
December 18, 2017	30% - 35%
January 9, 2018	1% - 5%
March 6, 2018	5% - 7%
April 17, 2018	30% - 35%
May 22, 2018	1% - 5%
July 16, 2018	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, 2018 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.

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, Liabilities, and Net Position or Fund Balance (continued)

e. Capital Assets (continued)

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. There was no interest capitalized by the City during the current fiscal year.

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	3-20
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 three types of items that qualify for reporting in this category. Two of the items are the deferred charge from pension related items and deferred charges related to OPEB. The other item 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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, Liabilities, and Net Position or Fund Balance (continued)

f. Deferred Outflows/Inflows of Resources (continued)

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 four types of items which qualify for reporting in this category. Two of the items, are deferred items from pension related items and deferred charges related to OPEB. The third item, unamortized gain on refunding of debt, are presented on the government-wide statement of net position and on the proprietary funds' statement of net position. The fourth 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.

h. Long Term Obligation

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:

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, Liabilities, and Net Position or Fund Balance (continued)

i. Fair Value Measurements (continued)

- 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.

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, 2018, 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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, Liabilities, and Net Position or Fund Balance (continued)

j. Classification of Net Position and Fund Balances (continued)

2. Fund Balances (continued)

- 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 this 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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, Liabilities, and Net Position or Fund Balance (continued)

l. Pensions (continued)

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, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 - June 30, 2017

m. Other Post-Employment Benefits (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 - 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	\$ 947,519,373
Accumulated depreciation	<u>(315,910,859)</u>
	<u>\$ 631,608,514</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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

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

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

Grant and accounts receivables not available to pay for current period expenditures	<u>\$ 1,594,752</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, as restated	\$ 71,904,904
Change in net position	<u>(5,094,515)</u>
Internal service funds net position - end of year	66,810,389
Less allocation to enterprise funds	<u>(2,905,438)</u>

Adjustment to statement of net position - governmental	<u>\$ 63,904,951</u>
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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 \$25,031,395 adjustment are as follows:

Lease revenue bonds	\$ (24,624,760)
Agreements payable	(23,731)
Capital lease	(141,724)
Interest payable	(352,963)
Prepaid issuance costs	<u>111,783</u>
	<u>\$ (25,031,395)</u>

The OPEB 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 OPEB costs are deferred and amortized in the statement of activities. This amount is the net effect of the treatment of net OPEB liability and deferred outflows of resources from OPEB contributions:

Deferred outflows of resources - OPEB related	\$ 351,939
Net OPEB Liability	<u>(15,515,193)</u>
	<u>\$ (15,163,254)</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 pensions and deferred inflows of resources from pensions:

Deferred outflows of resources - pension related	\$ 54,746,914
Net Pension Liability	(244,393,819)
Deferred inflows of resources - pension related	<u>(5,599,750)</u>
	<u>\$ (195,246,655)</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

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

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	\$ 11,077,054
Loss on disposal of capital assets	(3,678,545)
Current year governmental depreciation	<u>(13,846,529)</u>
	<u>\$ (6,448,020)</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:	
Lease revenue bonds	\$ 479,366
Agreements payable	46,094
Capital lease payable	101,679
Amortization of issuance costs	(4,178)
Change in interest payable	<u>5,635</u>
Total long term debt adjustment	<u>\$ 628,596</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	<u>\$ 225,660</u>
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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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

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

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 (continued)

Internal service funds change in net position	\$ (5,094,515)
Less change in net position allocated to enterprise funds	<u>4,681</u>
Adjustment to statement of activities - Governmental	<u><u>\$ (5,089,834)</u></u>

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

	\$ 144,111
Fire	321,642
Police	31,606
Traffic safety	21,381
Public right of way	29,747
Community buildings	39,973
Community services	24,170
Parks and greenbelts	39,973
Community planning and development	<u>72,509</u>
Municipal support	<u><u>\$ 725,112</u></u>

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

	\$ 1,986,995
Fire	5,364,080
Police	138,540
Traffic safety	702,989
Public right of way	331,307
Community buildings	737,030
Community services	157,539
Parks and greenbelts	1,041,025
Community planning and development	<u>849,841</u>
Municipal support	<u><u>\$ 11,309,346</u></u>

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018:

<u>Fund</u>	<u>Type of Fund</u>		<u>Deficit Fund Equity</u>
Housing Authority	Enterprise	\$	(5,807,323)
Information Systems	Internal Service	\$	(1,161,420)
Successor Redevelopment Agency	Fiduciary	\$	(51,760,969)

The Housing Authority fund, an enterprise fund, has a deficit fund balance of \$5,807,323. 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 in accordance with GASB 75. 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 and OPEB 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 \$1,161,420. The deficit is related to costs from the implementation of GASB 68 and GASB 75.

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 \$51,760,969. The deficit is due to covenant obligations pursuant to developer disposition agreements and Education Revenue Augmentation Fund and "Supplemental" Educational Augmentation Fund payables to the Housing Successor Agency.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

2. Deficit Fund Equity (continued)

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.

3. Expenditures in Excess of Appropriation

The Housing Successor Agency Capital Projects Fund expenditures exceeded appropriations by \$982,730. This was primarily due to non-cash accounting.

D. DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position	
City of Garden Grove	
Cash and investments	\$ 221,706,520
Cash and investments with fiscal agent	<u>5,475,678</u>
	<u>227,182,198</u>
Successor Agency (Private Purpose Trust Fund)	
Cash and investments	16,303,338
Cash and investments with fiscal agent	<u>5,475,789</u>
	<u>21,779,127</u>
Total Cash and Investment	<u>\$ 248,961,325</u>
Cash on hand	\$ 43,930
Deposits with financial institutions	5,952,989
Investments	<u>242,964,406</u>
Total Cash and Investment	<u>\$ 248,961,325</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, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

1. Cash and Investments (continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
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

Investments Authorized by the City's Investment Policy

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
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, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

1. Cash and Investments (continued)

<u>Authorized Investment Type</u>	<u>Amount</u>	<u>Weighted Average</u>
U.S. Treasury	\$ 60,329,760	2.37
U.S. Agency Securities		
FHLB	44,735,270	2.40
FFCB	43,081,545	1.69
FNMA	40,170,000	2.09
Local Agency Investment Fund (LAIF)	43,690,451	0.50
Held by fiscal Agent:		
Money Market Funds	10,957,380	0.50
 Total	 <u>\$ 242,964,406</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:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>	<u>Ratings as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
U.S. Treasury	\$ 60,329,760	N/A	\$ 60,329,760	\$ -	\$ -
U.S. Agency Securities					
FHLB	44,735,270	N/A	-	44,735,270	-
FFCB	43,081,545	N/A	-	43,081,545	-
FNMA	40,170,000	N/A	-	40,170,000	-
Local Agency Investment Fund (LAIF)	43,690,451	N/A	-	-	43,690,451
Held by fiscal agent:					
Money Market Fund	10,957,380	AAA	-	10,957,380	-
 Total	 <u>\$ 242,964,406</u>		 <u>\$ 60,329,760</u>	 <u>\$ 138,944,195</u>	 <u>\$ 43,690,451</u>

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

1. Cash and Investments (continued)

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Investment Amount</u>
FHLB	U.S. Agency Securities	\$ 44,735,270
FFCB	U.S. Agency Securities	43,081,545
FNMA	U.S. Agency Securities	40,170,000

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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

1. Cash and Investments (continued)

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, 2018, the note had a fair value of \$2,945,520.

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, 2018 was \$22.5 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2018 had a balance of \$88.9 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	Quoted Process in Active Markets for Identical Assets (Level 1)	Ratings as of Year End	
			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury	\$ 60,329,760	\$ 60,329,760	\$ -	\$ -
U.S. Agency Securities				
FHLB	44,735,270	-	44,735,270	-
FFCB	43,081,545	-	43,081,545	-
FNMA	40,170,000	-	40,170,000	-
Total	\$ 188,316,575	\$ 60,329,760	\$ 127,986,815	\$ -

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

2. Intercity Loans Receivable/Payable at June 30, 2018 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.

\$ 13,455,995

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 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

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

2. Intercity Loans Receivable/Payable at June 30, 2018 (continued)

d. Loan from the General fund to 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

e. Loan from Water Utility fund to the former redevelopment

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 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.

3,204,048

Total Intercity Loans Receivable

41,968,063

Less Allowance

(25,308,020)

Total Intercity Loans Receivable, net

\$ 16,660,043

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

3. Due From Successor 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 (\$847,149), 2004-05 (\$1,523,830), and 2005-06 (\$1,350,397) mandated Educational Revenue Augmentation Fund (ERAF) payments and "Supplemental" Educational Revenue Augmentation (SERAF) payments for the fiscal year 2009-10 (\$7,906,610) and 2010-11 (\$1,626,274). These loans were due 10 years from when the loans were originally established except for 2009-10 and 2010-11 loans which are due on May 10, 2015 and June 30, 2016, respectively. These loans which were previously invalidated, have been approved as an allowable Recognized Obligation payment by the State of California Department of Finance (DOF).

On June 12, 2018, the DOF approved the repayment of the original principal balance of \$13,254,260 based on review of the April 27, 2018 Oversight Board (OB) Resolution No. 58-18. All accrued interest was therefore denied, OB Resolution No. 58-18 establishes and approves the repayment schedule of the funds borrowed from the Low and Moderate Income Housing Fund (LMIHF) to make the ERAF and SERAF payment totaling \$ 3,721,376 and \$ 9,532,884 respectively.

\$ 13,254,260

4. Interfund Receivables, Payables, and Transfers

a. The composition of interfund receivable/payable balances as of June 30, 2018 is as follows:

	Due From Other Funds	Due To Other Funds
Housing Authority Fund	\$ -	\$ 336,468
Nonmajor governmental funds	-	1,081,344
Internal service funds	<u>1,417,812</u>	<u>-</u>
Total	<u>\$ 1,417,812</u>	<u>\$ 1,417,812</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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

4. Interfund Receivables, Payables, and Transfers (continued)

b. The composition of interfund transfer balances for the year ended June 30, 2018 is as follows:

<u>Transfers out:</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 495,950	\$ -	\$ 495,950
Nonmajor governmental funds	757,288	-	-	757,288
Internal service funds	1,572,484	-	-	1,572,484
Water Utility Fund	-	-	80,857	80,857
Sewage Collection Fund	-	-	300,000	300,000
Solid Waste Disposal Fund	-	-	200,000	200,000
Total	<u>\$ 2,329,772</u>	<u>\$ 495,950</u>	<u>\$ 580,857</u>	<u>\$ 3,406,579</u>

Transfers from the General Fund were made to subsidize the Garden Grove Cable Fund in the amount of \$388,493 and the Self Supporting Revenue fund in the amount of \$107,457.

Transfers to the General Fund generated by the Garden Grove Tourism Improvement District Special Revenue Fund in the amount of \$757,288 were made to fund future City projects. The internal service fund transfer of \$100,000 was generated from the Risk Management Internal Service Fund as reimbursement to the General Fund for estimated staff time actively involved in risk management. The internal service fund transfer of \$1,472,484 was generated from the Employee Benefits Fund to reimburse the General Fund for the cost of the 3% safety salary increase for fiscal years 2015-16 and 2016-17.

The transfer to the Fleet Management Internal Service Fund in the amount of \$80,857 from the Water Utility Fund was made to transfer the acquisition of a capital asset which will be maintained by the Fleet Management Internal Service Fund.

The transfer to the Information Technology Internal Service Fund in the amount of \$500,000 from the Garden Grove Sanitary District (Sewage Collection Fund and Solid Waste Disposal fund) was made to fund the City's acquisition and implementation of new financial and human resources enterprise resource planning software.

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

5. Notes receivable at June 30, 2018, 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, 2018 fifteen 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.

\$ 587,659

b. Mortgage Assistance Program (MAP) Loan – Housing Successor Agency Major Fund:

The City has entered into one-hundred-thirty-seven MAP Agreements utilizing CalHome funds; at June 30, 2018 nine 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.

153,916

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, 2018 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.

1,490,578

d. Rental rehabilitation – HOME Grant Revenue fund - Other nonmajor governmental 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.

1,116,000

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

5. Notes receivable at June 30, 2018, consisted of the following: (continued)

e. Single Family Rehab (Deferred Loan) - Housing Successor Agency Major Capital Project Fund:

The City has entered into seventy Deferred Loan Agreements utilizing City funds; at June 30, 2018 eight 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 a silent loan that requires no payment for 15 or 30 years. The loans carry 3% or 5% interest charges.

\$ 126,064

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, 2018 fourteen 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.

206,825

g. Rental rehabilitation - Housing Successor Agency Major Capital Project Fund:

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.

3,471,472

h. Rental rehabilitation – Housing Successor Agency Major Capital Project 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.

13,530,673

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 % annually.

2,230,090

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

5. Notes receivable at June 30, 2018, consisted of the following: (continued)

j. Rental construction – Housing Successor Agency Major Capital Project Fund and other nonmajor governmental 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. The note commenced upon the initial disbursement of Home funds in June 2015. An additional \$1.6 million was disbursed in June 2017 and is payable to the Housing Successor Agency Fund. Its maturity will be the fifty-fifth anniversary of the date of the Release of Construction Covenants.

\$ 3,930,510

k. Conveyance of Property Loan Agreement – Housing Successor Agency and other 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

l. Small Business Assistance Program – General fund and Other nonmajor governmental funds:

The City has entered into a loan agreement through the Small Business Assistance Program utilizing CDBG funds as well as General Fund monies for a total loan amount of \$50,000. The note bears an interest rate equal to the lower of 6.5% or the highest rate permitted by applicable law compounded annually. The note is payable in five years with the monthly payment of \$489.

50,000

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.

6,103

Total Notes Receivable

29,608,920

Less Allowance

(30,000)

Total Notes Receivable, net

\$ 29,578,920

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

6. 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, 2018 are \$2,995,594 and \$26,511,026, respectively.

7. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance *	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 418,711,185	\$ -	\$ (3,191,887)	\$ 415,519,298
Construction in progress	3,347,920	11,090,722	(9,389,418)	5,049,224
Total capital assets, not being depreciated	422,059,105	11,090,722	(12,581,305)	420,568,522
Capital assets, being depreciated:				
Infrastructure				
Street system	398,995,411	5,968,129	(2,958,683)	402,004,857
Storm drain assets	71,671,703	611,510	(175,282)	72,107,931
Buildings and park assets	45,602,139	1,995,019	(686,234)	46,910,924
Furniture and equipment	34,851,167	2,603,899	(5,146,855)	32,308,211
Total capital assets, being depreciated	551,120,420	11,178,557	(8,967,054)	553,331,923
Less accumulated depreciated for:				
Infrastructure				
Street system	(229,647,185)	(10,602,799)	2,563,292	(237,686,692)
Storm drain assets	(46,598,959)	(1,420,496)	175,282	(47,844,173)
Buildings and park assets	(26,565,699)	(1,315,568)	644,022	(27,237,245)
Furniture and equipment	(20,147,443)	(1,929,333)	5,045,215	(17,031,561)
Total accumulated depreciation	(322,959,286)	(15,268,196)	8,427,811	(329,799,671)
Total capital assets, being depreciated, net	228,161,134	(4,089,639)	(539,243)	223,532,252
Governmental activities capital assets, net	\$ 650,220,239	\$ 7,001,083	\$ (13,120,548)	\$ 644,100,774
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 2,564,750	\$ -	\$ (554,961)	\$ 2,009,789
Construction in progress	4,958,300	4,869,032	(6,639,053)	3,188,279
Total capital assets, not being depreciated	7,523,050	4,869,032	(7,194,014)	5,198,068
Capital assets, being depreciated:				
Building and structures	328,260	-	-	328,260
Water system	140,388,459	3,935,568	(1,275,472)	143,048,555
Sewer system	113,243,940	2,703,485	(794,814)	115,152,611
Machinery and equipment	487,706	31,701	(6,783)	512,624
Total capital assets, being depreciated	254,448,365	6,670,754	(2,077,069)	259,042,050
Less accumulated depreciated for:				
Building and structures	(10,442)	(25,442)	-	(35,884)
Water system	(55,138,438)	(3,223,500)	1,137,573	(57,224,365)
Sewer system	(51,165,477)	(1,749,617)	558,989	(52,356,105)
Machinery and equipment	(355,542)	(21,866)	6,783	(370,625)
Total accumulated depreciation	(106,669,899)	(5,020,425)	1,703,345	(109,986,979)
Total capital assets, being depreciated, net	147,778,466	1,650,329	(373,724)	149,055,071
Business-type activities capital assets, net	\$ 155,301,516	\$ 6,519,361	\$ (7,567,738)	\$ 154,253,139

* As restated (see note 18)

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

7. Capital Assets (continued)

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Police Protection	\$ -	\$ -
Traffic safety	516,231	-
Right of way	10,602,799	-
Drainage	1,420,496	-
Community buildings	1,315,568	-
Water	-	3,256,749
Sewage collection	-	1,763,676
Solid waste disposal	-	-
Housing Authority	-	-
Internal service fund	1,413,102	-
Total	<u>\$ 15,268,196</u>	<u>\$ 5,020,425</u>

8. Long-term Debt

a. Following is a summary of long-term debt transactions for the City for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Lease Revenue Bonds 2015A	\$ 23,600,000	\$ -	\$ (425,000)	\$ 23,175,000	\$ 450,000
Add: Premium	1,504,126	-	(54,366)	1,449,760	54,366
Agreements payable	69,826	-	(46,096)	23,730	23,730
Capital lease payable	622,677	248,114	(281,501)	589,290	216,898
Governmental activities long-term debt	25,796,629	248,114	(806,963)	25,237,780	744,994
Other non-current liabilities:					
Claims payable	31,849,001	10,871,705	(5,342,706)	37,378,000	5,619,420
Compensated absences	10,093,125	4,103,785	(6,605,900)	7,591,010	7,211,457
Governmental activities long-term liabilities	<u>\$ 67,738,755</u>	<u>\$ 15,223,604</u>	<u>\$(12,755,569)</u>	<u>\$ 70,206,790</u>	<u>\$ 13,575,871</u>
Business-type activities					
Water Revenue COP 2015	\$ 6,510,000	\$ -	\$ (885,000)	\$ 5,625,000	\$ 895,000
Water Revenue Bond 2010	12,750,000	-	(685,000)	12,065,000	705,000
Add: Premium/(Discount)	407,612	-	(58,230)	349,382	58,230
Sewer Revenue Refunding Bond 2017	15,370,000	-	(520,000)	14,850,000	540,000
Add: Premium/(Discount)	1,370,627	-	(72,455)	1,298,172	72,456
Business-type activities long-term liabilities	<u>\$ 36,408,239</u>	<u>\$ -</u>	<u>\$ (2,220,685)</u>	<u>\$ 34,187,554</u>	<u>\$ 2,270,686</u>
Private-purpose trust fund					
2016 Tax Allocation Bond	\$ 36,540,000	\$ -	\$ -	\$ 36,540,000	\$ -
Add: Premium	5,863,248	-	(360,816)	5,502,432	360,815
2014 Tax Allocation Bond	31,515,000	-	(2,505,000)	29,010,000	2,380,000
Add: Premium	3,867,845	-	(315,742)	3,552,103	315,742
2008 Subordinate note	1,425,000	-	(95,000)	1,330,000	100,000
Agreements payable	11,666,667	-	(4,000,000)	7,666,667	4,000,000
Loan Payable to City	-	13,254,260	-	13,254,260	-
Private-purpose trust fund long-term liabilities	<u>\$ 90,877,760</u>	<u>\$ 13,254,260</u>	<u>\$ (7,276,558)</u>	<u>\$ 96,855,462</u>	<u>\$ 7,156,557</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt

b. Governmental Long-term Debt at June 30, 2018 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, 2018.

	\$ 23,175,000
Unamortized bond premium	<u>1,449,760</u>
Total lease revenue bonds	<u>\$ 24,624,760</u>

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 December 22, 2018.

	<u>\$ 23,730</u>
Total agreements payable	<u>\$ 23,730</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt (continued)

b. Governmental Long-term Debt at June 30, 2018 Consisted of the Following: (continued)

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.	\$ 128,782
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.	12,941
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.	249,076
In December 2017, the City entered into a capital lease arrangement in the amount of \$248,114 for a new telephone system. Annual payment of \$49,623 is due through February 2022.	198,491
<i>Total capital leases payable</i>	<u>589,290</u>
Total Governmental Long Term Debt	<u><u>\$ 25,237,780</u></u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt (continued)

c. Proprietary long-term debt at June 30, 2018 consisted of the following items:

Lease Revenue Bonds, Series 2015 A:

\$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 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, 2018.

\$ 5,625,000

Total 2015 refunding revenue bonds

\$ 5,625,000

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, 2018 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 \$35.9 million against debt service payments of \$1,006,350. The following analysis shows the test result for compliance with this covenant:

Operating Revenue	\$	35,594,886
Non-operating revenues		<u>351,981</u>
Gross revenue		35,946,867
Less: Expenses (excluding depreciation amortization, interest and fiscal charges)		<u>(30,301,866)</u>
Net revenues	\$	<u><u>5,645,001</u></u>
Debt service requirement for next year: \$998,550 x 125%	\$	<u><u>1,248,188</u></u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt (continued)

**c. Proprietary long-term debt at June 30, 2018 consisted of the following items:
(continued)**

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 remaining principal and interest requirements on the debt is \$18,037,880. 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 at rates ranging from 2.0% to 6.389% over the life of the certificates. Such certificates are subject to Federal arbitrage regulations; however no arbitrage liability is reported at June 30, 2018.

\$ 12,065,000

Unamortized bond premium

349,382

Total 2010 revenue bonds

\$ 12,414,382

2010 Revenue Bonds - Water Utility Enterprise Fund - Debt Service Coverage

The Revenue Bonds, Series 2010, were issued on April 30, 2010 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. The remaining principal and interest requirements on the debt at June 30, 2018 is \$18,037,880. 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 and due payable during the next succeeding bond year. Revenue recognized during the year was \$35.9 million against debt service payments of \$1,381,116. The following analysis shows the test result for compliance with this covenant:

Operating Revenue	\$ 35,594,886
Non-operating revenues	<u>351,981</u>
Gross revenue	35,946,867
Less: Expenses (excluding depreciation amortization, interest and fiscal charges)	<u>(30,301,866)</u>
Net revenues	<u>\$ 5,645,001</u>
Debt service requirement for next year: \$1,376,740 x 125%	<u>\$ 1,720,925</u>

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt (continued)

**c. Proprietary long-term debt at June 30, 2018 consisted of the following items:
 (continued)**

**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.

	\$ 14,850,000
Unamortized bond premium	1,298,172
Total 2017 revenue refunding bond	\$ 16,148,172

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt (continued)

**c. Proprietary long-term debt at June 30, 2018 consisted of the following items:
(continued)**

**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 Revenue	\$ 10,467,362
Non-operating revenues	<u>174,142</u>
Gross revenue	10,641,504
Less: Expenses (excluding depreciation amortization, interest and fiscal charges)	<u>(5,009,287)</u>
Net revenues	<u><u>\$ 5,632,217</u></u>
Debt service requirement for next year: \$1,200,975 x 115%	<u><u>\$ 1,381,121</u></u>

Total Proprietary Long Term Debt \$ 34,187,554

Total Long Term Debt \$ 59,425,334

d. Private-purpose trust activity long-term debt at June 30, 2018 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, 2018.

	\$ 36,540,000
Unamortized bond premium	<u>5,502,432</u>
Total Tax Allocation Bond Issue of 2016	<u><u>\$ 42,042,432</u></u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt (continued)

d. Private-purpose trust activity long-term debt at June 30, 2018 consisted of the following items: (continued)

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, 2018.

\$ 29,010,000

Unamortized bond premium

3,552,103

Total Tax Allocation Bond Issue of 2014

\$ 32,562,103

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.

1,330,000

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt (continued)

d. Private-purpose trust activity long-term debt at June 30, 2018 consisted of the following items: (continued)

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.

\$ 7,666,667

Loan Payable to City

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 (\$847,149), 2004-05 (\$1,523,830), and 2005-06 (\$1,350,397) 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). In accordance with Assembly Bill X1 26, existing agreements between the City and the former redevelopment agency have previously been invalidated. In fiscal year 2017-18, the California Department of Finance changed its previous determination and has now approved the repayment of the ERAF and SERAF loans (\$13,254,260) as an enforceable obligation.

13,254,260

Total Private Purpose Trust Funds Long Term Debt

\$ 96,855,462

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt (continued)

- e. The scheduled annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2018, including interest payments, are as follows:

Year Ending June 30	Lease Revenue Bonds 2015A		
	Principal	Interest	Total
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	540,000	966,950	1,506,950
2024-2028	3,130,000	4,402,250	7,532,250
2029-2033	3,980,000	3,561,050	7,541,050
2034-2038	4,860,000	2,673,600	7,533,600
2039-2043	5,945,000	1,584,400	7,529,400
2044-2045	2,800,000	211,750	3,011,750
Total	<u>\$ 23,175,000</u>	<u>\$ 17,508,800</u>	<u>\$ 40,683,800</u>

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2019	\$ 23,730	\$ 470	\$ 24,200
Total	<u>\$ 23,730</u>	<u>\$ 470</u>	<u>\$ 24,200</u>

Year Ending June 30	Capital Leases Payable		
	Principal	Interest	Total
2019	\$ 216,898	\$ 7,802	\$ 224,700
2020	141,542	3,255	144,797
2021	115,966	2,197	118,163
2022	114,884	924	115,808
Total	<u>\$ 589,290</u>	<u>\$ 14,178</u>	<u>\$ 603,468</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt (continued)

f. The scheduled annual requirements to amortize all proprietary long-term debt outstanding as of June 30, 2018 including interest payments, are as follows:

Year Ending June 30	2015 Water Revenue Bonds		
	Principal	Interest	Total
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	985,000	28,450	1,013,450
2024	930,000	9,300	939,300
Total	\$ 5,625,000	\$ 341,250	\$ 5,966,250

Year Ending June 30	2010 Water Revenue Bonds		
	Principal	Interest	Total
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	850,000	523,984	1,373,984
2024-2028	885,000	2,333,937	3,218,937
2029-2031	7,320,000	639,426	7,959,426
Total	\$ 12,065,000	\$ 5,972,882	\$ 18,037,882

Year Ending June 30	2017 Sewer Refunding Revenue Bonds		
	Principal	Interest	Total
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	645,000	551,375	1,196,375
2024-2028	3,755,000	2,238,125	5,993,125
2029-2033	4,790,000	1,210,175	6,000,175
2034-2038	3,360,000	238,000	3,598,000
Total	\$ 14,850,000	\$ 6,731,775	\$ 21,581,775

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

8. Long-term Debt (continued)

g. The scheduled annual requirements to amortize all the Successor Agency long-term debt outstanding as of June 30, 2018, including interest payments, are as follows:

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2016		
	Principal	Interest	Total
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	2,055,000	1,445,875	3,500,875
2024-2028	11,930,000	5,539,500	17,469,500
2029-2033	15,230,000	2,194,000	17,424,000
2034-2038	3,450,000	51,750	3,501,750
Total	<u>\$ 36,540,000</u>	<u>\$ 15,686,625</u>	<u>\$ 52,226,625</u>

Year Ending June 30	Tax Allocation Refunding Bonds Issue of 2014		
	Principal	Interest	Total
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	3,015,000	836,875	3,851,875
2024-2028	12,020,000	2,080,250	14,100,250
2029-2033	3,210,000	161,750	3,371,750
Total	<u>\$ 29,010,000</u>	<u>\$ 7,622,775</u>	<u>\$ 36,632,775</u>

Year Ending June 30	Subordinate Note 2008		
	Principal	Interest	Total
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	130,000	49,500	179,500
2024-2028	760,000	119,100	879,100
Total	<u>\$ 1,330,000</u>	<u>\$ 437,100</u>	<u>\$ 1,767,100</u>

Year Ending June 30	Agreements Payable		
	Principal	Interest	Total
2019	\$ 4,000,000	\$ 191,667	\$ 4,191,667
2020	3,666,667	91,667	3,758,334
Total	<u>\$ 7,666,667</u>	<u>\$ 283,334</u>	<u>\$ 7,950,001</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

9. 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, 2018 is \$7,591,007.

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 \$6,079,918 at June 30, 2018.

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 1,000, police employees 100% of up to 750 unused hours, and management employees 50% of all unused hours. Studies have indicated that only 12.2 percent of all accumulated sick leave is actually used by employees, therefore, the sick leave liability is estimated at 12.2 percent of the total accumulated benefit, or \$1,511,089 at June 30, 2018.

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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Vacation, Annual Leave, Benefits, and Comp Time	\$ 6,124,198	\$ 5,376,858	\$ (5,421,137)	\$ 6,079,919	\$ 5,775,923
Sick Leave	3,968,927	-	(2,457,836)	1,511,091	1,435,534
Total	<u>\$ 10,093,125</u>	<u>\$ 5,376,858</u>	<u>\$ (7,878,973)</u>	<u>\$ 7,591,010</u>	<u>\$ 7,211,457</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

10. 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 \$33,345,000 for claims outstanding including claims incurred but not reported on June 30, 2018, 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 per occurrence. Excess liability insurance is carried thereafter to \$33 million per occurrence with commercial insurers. Claims administration and adjusting services are provided by contract with a third-party administrator specializing in public entity liability. Representation in matters of litigation is performed through the retaining of outside law firms and is supervised by the city attorney. This self-insurance program is accounted for in the Risk Management internal service fund.

The City estimates a liability for claims outstanding, including claims incurred but not reported, on June 30, 2018, in the amount of \$4,033,000 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, 2018. Changes in the aggregate liability for claims for fiscal year ended June 30, 2018 and June 30, 2017 are as follows:

Worker's Compensation	2018	2017
Liability, July 1	\$ 27,323,001	\$ 25,595,000
Cost and claims incurred	10,121,215	6,974,860
Claim payments	<u>(4,099,216)</u>	<u>(5,246,859)</u>
Liability, June 30	<u>\$ 33,345,000</u>	<u>\$ 27,323,001</u>
Due within one year	\$ 4,673,037	\$ 4,658,124
Due in more than one year	<u>28,671,963</u>	<u>22,664,877</u>
	<u>\$ 33,345,000</u>	<u>\$ 27,323,001</u>
 Risk Management		
Liability, July 1	\$ 4,526,000	\$ 4,145,000
Cost and claims incurred	750,490	1,030,276
Claim payments	<u>(1,243,490)</u>	<u>(649,276)</u>
Liability, June 30	<u>\$ 4,033,000</u>	<u>\$ 4,526,000</u>
Due within one year	\$ 946,383	\$ 540,938
Due in more than one year	<u>3,086,617</u>	<u>3,985,062</u>
	<u>\$ 4,033,000</u>	<u>\$ 4,526,000</u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

11. 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 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, 2018 under PEPRA are the same as the employer contribution rates for existing miscellaneous employees and public safety employees.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

11. Public Employees' Retirement System (continued)

a. General Information about the Pension Plans (continued)

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.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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	27.410%	27.410%

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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	48.522%	48.522%

Employees covered - At June 30, 2016 (actuarial valuation date), the following employees were covered by the benefit terms for each Plan:

	Misc	Safety
Inactive employees or beneficiaries currently receiving benefits	596	444
Inactive employees entitled to but not yet receiving benefits	432	99
Active employees	397	245
Total	1,425	788

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

11. Public Employees' Retirement System (continued)

a. General Information about the Pension Plans (continued)

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 by 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.

b. Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 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	7.15%
Inflation	2.75%
Salary Increase	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, 2016 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 at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

**11. Public Employees' Retirement System (continued)
b. Net Pension Liability (continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 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 7.15 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 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, 2014.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

**11. Public Employees' Retirement System (continued)
b. Net Pension Liability (continued)**

Asset Class	Current Target	Real Return Years 1 -10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forest Land	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

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, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

11. Public Employees' Retirement System (continued)

b. Net Pension Liability (continued)

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, 2016 ¹	\$ 284,734,482	\$ 194,316,867	\$ 90,417,615
Changes in the year:			
Service cost	5,295,064	-	5,295,064
Interest on the total pension liability	20,965,466	-	20,965,466
Changes of benefit terms	-	-	-
Changes in assumptions	17,855,824	-	17,855,824
Difference between actual and	(5,244,453)	-	(5,244,453)
Plan to Plan Resource Movement	-	(64,848)	64,848
Contribution - employer	-	7,579,342	(7,579,342)
Contribution - employee	-	2,308,262	(2,308,262)
Net Investment income	-	21,554,042	(21,554,042)
Benefit payments, including refunds of employee contributions	(13,540,154)	(13,540,154)	-
Administrative expense	-	(286,896)	286,896
Net changes	<u>25,331,747</u>	<u>17,549,748</u>	<u>7,781,999</u>
Balance at June 30, 2017	<u>\$ 310,066,229</u>	<u>\$ 211,866,615</u>	<u>\$ 98,199,614</u>

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, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

11. Public Employees' Retirement System (continued)

c. Changes in Net Pension Liability (continued)

<i>Safety Plan:</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016 ¹	\$ 469,997,729	\$ 306,143,539	\$ 163,854,190
Changes in the year:			
Service cost	8,648,153	-	8,648,153
Interest on the total pension liability	35,007,255	-	35,007,255
Changes of benefit terms	-	-	-
Changes in assumptions	29,556,856	-	29,556,856
Difference between actual and expected experience	(2,081,126)	-	(2,081,126)
Plan to Plan Resource Movement	-	-	-
Contribution - employer	-	13,302,274	(13,302,274)
Contribution - employee	-	2,823,680	(2,823,680)
Net Investment income	-	33,837,324	(33,837,324)
Benefit payments, including refunds of employee contributions	(24,371,140)	(24,371,140)	-
Administrative Expense	-	(452,000)	452,000
Net changes	<u>46,759,998</u>	<u>25,140,138</u>	<u>21,619,860</u>
Balance at June 30, 2017 ¹	<u>\$ 516,757,727</u>	<u>\$ 331,283,677</u>	<u>\$ 185,474,050</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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Lower	6.15%	6.15%
Net Pension Liability	\$ 141,508,941	\$ 257,090,268
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 98,199,614	\$ 185,474,051
1% Higher	8.15%	8.15%
Net Pension Liability	\$ 62,676,638	\$ 126,934,056

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, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

11. Public Employees' Retirement System (continued)

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

For the year ended June 30, 2018, the City recognized pension expenses of \$6,015,462 and \$10,190,436 for Miscellaneous Plan and Safety Plan, respectively. At June 30, 2018, 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	\$ 8,189,108	\$ -
Changes in assumptions	11,242,556	-
Differences between expected and actual experiences	346,424	(3,302,062)
Net difference between projected and actual earnings on pension plan investments	2,890,386	-
Total	\$ 22,668,474	\$ (3,302,062)

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,147,727	\$ -
Changes in assumptions	21,346,618	(1,338,808)
Differences between expected and actual experiences	979,128	(2,279,704)
Net difference between projected and actual earnings on pension plan investments	4,672,355	-
Total	\$ 41,145,828	\$ (3,618,512)

The \$8,189,108 and \$14,147,727 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Periods Ended June 30	Miscellaneous Plan	Safety Plan
	Deferred Outflow/(Inflows) of Resources	Deferred Outflow/(Inflows) of Resources
2018	\$ 4,947,946	\$ 6,000,629
2019	6,577,625	13,307,583
2020	1,216,299	6,531,670
2021	(1,564,567)	(2,460,289)

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

12. Other Postemployment Benefits

a. Plan Descriptions

The City administers other post-employment benefit (OPEB) plan which is subject to changes based on the discretion of the Council:

PEMHCA: The City provides an agent multiple-employer defined benefit healthcare plan to retirees through the California Public Employee Retirement System (CalPERS) under the California Public Employees Medical and Hospital Care Act (PEMHCA), commonly referred to as PERS Health.

b. Employees Covered

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible to begin drawing a PERS pension. The benefits are available only to employees who retire from the City.

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the City plan:

	<u>Number of Participants</u>
Inactive Employees Receiving Benefits	261
Inactive Employees Entitled to But Receiving Benefits	-
Participating Active Employees	<u>651</u>
Total Number of Participants	<u><u>912</u></u>

c. Contributions

The contributions for the City's other post-employment benefits are based on pay-as-you-go financing requirements.

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 City's contribution rates were \$133 and \$128 per month for each retiree for the calendar years ended 2018 and 2017, respectively.

For the fiscal year ended June 30, 2018, the City contributed \$412,400 to the plan. Plan members receiving benefits contributed \$2,312,786 (approximately 85% of total premiums) through their required contribution.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

12. Other Postemployment Benefits (continued)

d. Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

The City's total OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: GASB 74/75 require use of the entry age actuarial cost method.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The APVPBP and present value of future service costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the service cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees). This greatly simplifies administration and accounting; as well as resulting in the correct service cost for new hires.

SUBSTANTIVE PLAN: As required under GASB 74/75 require use of the substantive plan. 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.

ECONOMIC ASSUMPTIONS:

INFLATION: 2.75% per year. Actuarial standards require using the same rate for OPEB that is used for pension.

INVESTMENT RETURN/DISCOUNT RATE: 3.5% per year net of expenses. This is based on the Bond Buyer 20 Bond Index.

TREND: 4% per year. The long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

PAYROLL INCREASE: 2.75% per year.

**CITY OF GARDEN GROVE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

12. Other Postemployment Benefits (continued)

d. Actuarial Methods and Assumptions Used to Determine Total OPEB Liability (continued)

MORTALITY

<u>Participant Type</u>	<u>Mortality Tables</u>
Police	2014 CalPERS Mortality for Active Safety Employees
Firefighters	2014 CalPERS Mortality for Active Safety Employees
Miscellaneous	2014 CalPERS Mortality for Active Miscellaneous Employees

RETIREMENT RATES

<u>Employee Type</u>	<u>Retirement Rate Tables</u>
Police Officers	2009 CalPERS 3%@50 Rates for Sworn Police Employees or PEPRA rates, as appropriate
Firefighters	2009 CalPERS 3%@50 Rates for Sworn Fire Employees or PEPRA rates, as appropriate
General Employees	2009 CalPERS 2.5%@55 Rates for Miscellaneous Employees or PERPRA rates, as appropriate

SERVICE REQUIREMENT

<u>Employee Type</u>	<u>Service Requirement Tables</u>
Police	100% at 5 Years of Service
Firefighters	100% at 5 Years of Service
Miscellaneous	100% at 5 Years of Service

e. Recognition of Deferred Outflows and Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

Net difference between projected and actual earnings on OPEB plan	5 Years
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

OPEB Expense a Deferred Outflow/Inflow of Resources to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expenses of \$1,262,253. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

12. Other Postemployment Benefits (continued)

e. Recognition of Deferred Outflows and Inflows of Resources (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 412,400	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
	<hr/>	<hr/>
Total	\$ 412,400	\$ -

The \$412,400 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2019.

f. Total OPEB Liability

If actuarial assumptions are borne out by experience, the City will fully accrue retiree benefits by expensing an amount each year that equals the service cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the Total OPEB Liability (TOL). The TOL is calculated as the APVPBP minus the present value of future service costs. To the extent that benefits are funded through a GASB 74 qualifying trust, the trust's Fiduciary Net Position (FNP) is subtracted to get the NOL. The FNP is the value of assets adjusted for any applicable payables and receivables.

Total OPEB Liability (TOL) as of June 30, 2017

	Total	Firefighters	General Employees	Police Officers
<i>Active: Pre-65</i>	\$ 2,357,387	\$ 431,850	\$ 1,094,001	\$ 831,536
<i>Active: Post-65</i>	7,186,915	965,748	4,509,932	1,711,235
<i>Subtotal</i>	<hr/> \$ 9,544,302	<hr/> \$ 1,397,598	<hr/> \$ 5,603,933	<hr/> \$ 2,542,771
<i>Retiree: Pre-65</i>	\$ 1,115,866	\$ 245,796	\$ 258,919	\$ 611,151
<i>Retiree: Post-65</i>	7,520,455	1,782,753	2,842,799	2,894,903
<i>Subtotal</i>	<hr/> \$ 8,636,321	<hr/> \$ 2,028,549	<hr/> \$ 3,101,718	<hr/> \$ 3,506,054
<i>Subtotal: Pre-65</i>	<hr/> \$ 3,473,253	<hr/> \$ 677,646	<hr/> \$ 1,352,920	<hr/> \$ 1,442,687
<i>Subtotal: Post-65</i>	<hr/> \$ 14,707,370	<hr/> \$ 2,748,501	<hr/> \$ 7,352,731	<hr/> \$ 4,606,138
	<hr/> <hr/> \$ 18,180,623	<hr/> <hr/> \$ 3,426,147	<hr/> <hr/> \$ 8,705,651	<hr/> <hr/> \$ 6,048,825

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

12. Other Postemployment Benefits (continued)

g. Changes in the OPEB Liability

The changes in the OPEB liability for the City are as follows:

Changes in Total OPEB Liability as of June 30, 2017

	<u>Increase (Decrease)</u>
	<u>Total OPEB</u>
	<u>Liability</u>
Balance at June 30, 2016	<u>\$ 17,310,056</u>
Changes recognized for the measurement period:	
Service Cost	651,960
Interest on TOL	610,096
Employer Contributions	-
Employee Contributions	-
Actual Investment Income	-
Administrative Expense	-
Benefit Payments	<u>(391,489)</u>
Net Changes	<u>870,567</u>
Balance at June 30, 2017	<u><u>\$ 18,180,623</u></u>

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

12. Other Postemployment Benefits (continued)

h. Sensitivity of OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability with a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	<u>Discount Rate 1% Lower</u>	<u>Valuation Discount Rate</u>	<u>Discount Rate 1% Higher</u>
Total OPEB Liability	<u>\$21,537,086</u>	<u>\$18,180,623</u>	<u>\$15,522,889</u>

i. Sensitivity of OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	<u>Trend Rate 1% Lower</u>	<u>Valuation Discount Rate</u>	<u>Discount Rate 1% Higher</u>
Total OPEB Liability	<u>\$13,156,004</u>	<u>\$18,180,623</u>	<u>\$25,016,701</u>

13. 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, 2018, the balance outstanding was \$9,100,000.

14. 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.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

14. Commitments and Contingencies (continued)

b. Construction Commitments

The City has active construction projects as of June 30, 2018. 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	\$ 818,696	\$ 4,785,375
Strom Drain Improvements	178,385	303,001
City Capital Improvements	3,960,483	2,164,769
Water Improvements	1,351,693	2,677,128
Sewer Improvements	<u>1,836,586</u>	<u>1,356,396</u>
 Total	 <u>\$ 8,145,843</u>	 <u>\$ 11,286,669</u>

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.

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 2017-18, California Fuels and Lubricants received assistance payments of \$366,259.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

16. Tax Abatements (continued)

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 \$2,973,573 was due to Gateway Properties for Fiscal Year 2017-18. 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 2017-18 is approximately \$715,604. 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. Special Line Item

General Fund, HOME, Other Grants & Contributions, Housing Successor Agency

In Fiscal Year 2017-18, the City reassessed the collectability of its notes receivables. The City determined that the majority of its notes receivables are collectible despite the extended length of time for collections. As such, the allowance for doubtful accounts balances have been reduced resulting in a non-cash "increase" to the statement of net position.

Housing Successor Agency (a Major Governmental Fund) and the Private Purpose Trust Fund - ERAF & SERAF Loans

When the redevelopment agency was dissolved, the California Department of Finance denied repayment of the ERAF and SERAF loans as an enforceable obligation. As a result the City recorded a full allowance for doubtful accounts in the Housing Successor Agency Fund in the amount of the outstanding loans. In fiscal year 2017-18, the California Department of Finance changed its previous determination and has now approved the repayment of the principal balance of the ERAF and SERAF loans (\$13,254,260) as an enforceable obligation. As the loans are now deemed collectible, the allowance for doubtful accounts balances in the Housing Successor Agency Fund have been reduced to zero. This resulted in a non-cash increase in the Housing Successor Agency's statement of net positions. In addition, the loan payable to the Housing Successor Agency was recognized in the current year thus increasing the liability and decreasing the net position of the Private Purpose Trust Fund, City of Garden Grove as Successor Agency to the Garden Grove Redevelopment Agency.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

17. Special Line Item (continued)

Net Effect on the Statement of Revenues, Expenditures, And Changes In Fund Balance:

	<u>General Fund</u>	<u>Housing Successor Agency Capital Project Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Special Item	\$ 2,502,947	\$ 15,424,125	\$ 12,102,321	\$ 30,029,393

Net Effect on the Statement of Changes In Fiduciary Net Position:

	<u>City of Garden Grove as Successor Agency</u>
Special Item	\$ (13,254,260)

18. Prior Period Adjustment

GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

Prior period adjustments were made to the beginning net position/fund balance of the Government-Wide Financial Statements and the Fund Financial Statements. As a result, the beginning of the year was restated to properly account for these corrections.

A prior period adjustment of \$1,600,000, was made to increase the beginning fund balance of Housing Successor Agency Fund, a nonmajor special revenue fund, for an understatement of revenue and notes receivable at June 30, 2017.

A prior period adjustment of \$349,156 was made to decrease the beginning fund balance of the Solid Waste Disposal Enterprise Fund, for an overstatement of accounts receivable at June 30, 2017.

The Governmental Activities had a net restatement of \$46,179 due to capital assets being understated at June 30, 2017. The Governmental Activities and Business-Type Activities had a net restatement of \$1,292,295 and \$2,607,256, respectively, due to accumulated depreciation being overstated at June 30, 2017.

Prior period adjustments of \$9,055,451 and \$1,005,052 were made to decrease the beginning net position of the respective governmental activities and business-type activities, respectively, to relect the prior period costs related to the implementation of the OPEB liability in accordance with GASB 75.

**CITY OF GARDEN GROVE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2018**

D. DETAILED NOTES ON ALL FUNDS (continued)

18. Prior Period Adjustment (continued)

The aforementioned adjustments resulted in the following restatement to net position at July 1, 2017:

	Housing Successor Agency Fund	Other Governmental Funds	Fleet Management Fund	Information Systems Fund	Other Internal Service Funds	Governmental Activities
Net position at July 1, 2017, as previously reported	\$ 6,216,843	\$ 492,148,780	\$ 37,480,733	\$ (486,065)	\$ 34,583,918	\$ 569,944,209
Prior period adjustments:						
Note receivable	1,600,000	-	-	-	-	1,600,000
Capital assets	-	(174,195)	220,374	-	-	46,179
Accumulated depreciation	-	826,913	514,633	(49,251)	-	1,292,295
Implementation of GASB Statement No. 75, net effect	-	(8,696,013)	(68,523)	(290,915)	-	(9,055,451)
Net position at July 1, 2017, as restated	<u>\$ 7,816,843</u>	<u>\$ 484,105,485</u>	<u>\$ 38,147,217</u>	<u>\$ (826,231)</u>	<u>\$ 34,583,918</u>	<u>\$ 563,827,232</u>

	Water Utility Fund	Sewage Collection Fund	Solid Waste Disposal Fund	Housing Authority Fund	Business-type Activities
Net position at July 1, 2017, as previously reported	\$ 65,960,376	\$ 76,705,800	\$ 5,045,915	\$ (3,963,600)	\$ 146,658,610
Prior period adjustments:					
Accounts receivable	-	-	(349,156)	-	(349,156)
Accumulated depreciation	767,648	1,839,608	-	-	2,607,256
Implementation of GASB Statement No. 75, net effect	(681,307)	(58,459)	(89,282)	(176,004)	(1,005,052)
Net position at July 1, 2017, as restated	<u>\$ 66,046,717</u>	<u>\$ 78,486,949</u>	<u>\$ 4,607,477</u>	<u>\$ (4,139,604)</u>	<u>\$ 147,911,658</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			
	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	\$ 5,295,064	\$ 4,717,431	\$ 4,505,053	\$ 4,722,338
Interest on total pension liability	20,965,466	20,513,676	19,499,703	18,697,528
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(5,244,453)	1,501,168	(1,007,886)	-
Changes of assumptions	17,855,824	-	(4,893,202)	-
Benefit payments, including refunds of employee contributions	(13,540,154)	(12,581,087)	(12,134,038)	(11,490,804)
Net change in total pension liability	25,331,747	14,151,188	5,969,630	11,929,062
Total pension liability - beginning	284,734,482	270,583,294	264,613,664	252,684,602
Total pension liability - ending (a)	\$ 310,066,229	\$ 284,734,482	\$ 270,583,294	\$ 264,613,664
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	\$ 7,579,342	\$ 6,646,792	\$ 5,948,472	\$ 5,101,581
Contribution - Employee	2,308,262	2,242,990	2,281,790	2,070,127
Net investment income ⁽²⁾	21,554,042	1,004,774	4,419,750	29,571,239
Benefit payments, including refunds of employee contributions	(13,540,154)	(12,581,087)	(12,134,038)	(11,490,804)
Net Plan to Plan Resource Movement	(64,848)	(69,973)	-	-
Administrative Expense	(286,896)	(120,179)	(221,880)	-
Net change in fiduciary net position	17,549,748	(2,876,683)	294,094	25,252,143
Plan fiduciary net position - beginning	194,316,867	197,193,550	196,899,456	171,647,313
Plan fiduciary net position - ending (b)	\$ 211,866,615	\$ 194,316,867	\$ 197,193,550	\$ 196,899,456
Plan net pension liability - ending (a) - (b)	\$ 98,199,614	\$ 90,417,615	\$ 73,389,744	\$ 67,714,208
Plan fiduciary net position as a percentage of the total pension liability	68.33%	68.24%	72.88%	74.41%
Covered payroll	29,037,915	\$ 28,573,176	\$ 27,094,801	\$ 27,060,561
Plan net pension liability as a percentage of covered payroll	338.18%	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, 2016 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 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. 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			
	2017	2016	2015	2014
TOTAL PENSION LIABILITY				
Service cost	\$ 8,648,153	\$ 7,378,575	\$ 7,025,519	\$ 7,433,857
Interest on total pension liability	35,007,255	33,944,797	32,447,673	31,439,433
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(2,081,126)	2,203,036	(4,660,010)	-
Changes of assumptions	29,556,856	-	(8,032,852)	-
Benefit payments, including refunds of employee contributions	(24,371,140)	(22,718,361)	(21,846,674)	(20,185,546)
Net change in total pension liability	46,759,998	20,808,047	4,933,656	18,687,744
Total pension liability - beginning	469,997,729	449,189,682	444,256,026	425,568,282
Total pension liability - ending (a)	\$ 516,757,727	\$ 469,997,729	\$ 449,189,682	\$ 444,256,026
Contribution - Employer	\$ 13,302,274	\$ 11,468,654	\$ 10,155,643	\$ 9,427,732
Contribution - Employee	2,823,680	2,915,098	2,611,738	2,439,710
Net investment income	33,837,324	1,532,436	6,960,883	47,553,580
Benefit payments, including refunds of employee contributions	(24,371,140)	(22,718,361)	(21,846,674)	(20,185,546)
Net Plan to Plan Resource Movement	-	-	-	-
Administrative Expense	(452,000)	(190,840)	(352,473)	-
Net change in fiduciary net position	25,140,138	(6,993,013)	(2,470,883)	39,235,476
Plan fiduciary net position - beginning	306,143,539	313,136,552	315,607,435	276,371,959
Plan fiduciary net position - ending (b)	\$ 331,283,677	\$ 306,143,539	\$ 313,136,552	\$ 315,607,435
Plan net pension liability - ending (a) - (b)	\$ 185,474,050	\$ 163,854,190	\$ 136,053,130	\$ 128,648,591
Plan fiduciary net position as a percentage of the total pension liability	64.11%	65.14%	69.71%	71.04%
Covered payroll	\$ 28,636,267	\$ 27,481,750	\$ 26,325,623	\$ 26,592,225
Plan net pension liability as a percentage of covered payroll	647.69%	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 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. 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***

Schedule of Plan Contributions for the Fiscal Years Ended June 30

	Miscellaneous				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 8,189,108	\$ 7,579,342	\$ 6,646,792	\$ 5,948,472	\$ 5,101,581
Contributions in relation to the actuarially determined contributions	<u>(8,189,108)</u>	<u>(7,579,342)</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>	<u>\$ -</u>
Covered payroll	\$ 29,126,745	\$ 29,037,915	\$ 28,573,176	\$ 27,094,801	\$ 27,060,561
Contributions as a percentage of covered payroll	28.12%	26.10%	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: 6/30/2015

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, 2015 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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB 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***

Schedule of Plan Contributions for the Fiscal Years Ended June 30

	Safety				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 14,147,727	\$ 13,302,273	\$ 11,468,654	\$ 10,155,643	\$ 9,427,732
Contributions in relation to the actuarially determined contributions	<u>(14,147,727)</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 29,134,020	\$ 28,636,267	\$ 27,481,750	\$ 26,325,623	\$ 26,592,225
Contributions as a percentage of covered-employee payroll	48.56%	46.45%	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: 6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method/period	For details, see June 30, 2015 Funding Valuation Report.
Asset valuation method	Market value fo assets. For details, see June 30, 2014 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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB 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 CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
for the Measurement Periods Ended June 30
THE LAST TEN FISCAL YEARS***

	<u>2017</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 651,960
Interest on total OPEB liability	610,096
Difference between expected and actual experience	-
Changes of assumptions	-
Changes in benefit terms	-
Benefit payments	<u>(391,489)</u>
Net change in total OPEB liability	870,567
Total OPEB liability - beginning	<u>17,310,056</u>
Total OPEB liability - ending	<u><u>\$ 18,180,623</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	57,674,182
Net OPEB liability as a percentage of covered-employee payroll	<u>31.52%</u>

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**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, 2018**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 94,559,560	\$ 94,559,560	\$ 98,957,130	\$ 4,397,570
Licenses and permits	1,576,722	1,576,722	1,969,553	392,831
Fines, forfeits and penalties	1,813,087	1,813,087	2,028,031	214,944
Investment earnings	1,130,000	1,130,000	1,233,957	103,957
Charges for current services	6,172,521	6,172,521	7,266,859	1,094,338
From other agencies	228,822	228,822	258,685	29,863
Other revenues	2,114,698	2,172,343	3,482,218	1,309,875
Total revenues	<u>107,595,410</u>	<u>107,653,055</u>	<u>115,196,433</u>	<u>7,543,378</u>
EXPENDITURES:				
Current:				
Fire	23,730,910	23,732,406	24,718,290	(985,884)
Police	54,616,792	54,748,920	54,672,769	76,151
Traffic safety	2,072,412	2,072,412	1,980,534	91,878
Public right of way	5,494,805	5,644,554	5,087,192	557,362
Community buildings	3,738,759	3,717,577	3,421,453	296,124
Community services	2,932,621	2,952,824	2,808,902	143,922
Economic development	3,119,714	3,095,464	738,494	2,356,970
Parks and greenbelts	1,337,204	1,412,204	1,544,635	(132,431)
Community planning and development	7,065,786	7,094,938	5,450,619	1,644,319
Municipal support	8,030,361	8,038,672	7,478,070	560,602
Capital outlay:				
Fire	12,518	12,518	11,350	1,168
Police	69,580	69,580	-	69,580
Traffic safety	132,006	160,440	160,440	-
Public right of way	234,000	2,000	-	2,000
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	1,500,000	-	-	-
Debt service:				
Principal retirement	572,744	572,744	572,744	-
Interest and other charges	1,087,349	1,087,349	1,087,349	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>115,747,561</u>	<u>114,414,602</u>	<u>109,732,841</u>	<u>4,681,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,152,151)</u>	<u>(6,761,547)</u>	<u>5,463,592</u>	<u>12,225,139</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,876,200	5,876,200	2,329,772	(3,546,428)
Transfers out	(391,900)	(391,900)	(495,950)	(104,050)
Total other financing sources (uses)	<u>5,484,300</u>	<u>5,484,300</u>	<u>1,833,822</u>	<u>(3,650,478)</u>
Special item	-	-	2,502,947	2,502,947
Net change in fund balance	(2,667,851)	(1,277,247)	9,800,361	11,077,608
Fund balance, beginning of year	<u>39,867,686</u>	<u>39,867,686</u>	<u>39,867,686</u>	<u>-</u>
Fund balance, end of year	<u>\$ 37,199,835</u>	<u>\$ 38,590,439</u>	<u>\$ 49,668,047</u>	<u>\$ 11,077,608</u>

See accompanying note to required supplementary information.

CITY OF GARDEN GROVE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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.

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.

CAPITAL PROJECTS FUNDS

Major Fund:

Housing Successor Agency Fund

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

Nonmajor Funds:

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, 2018**

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
ASSETS				
Cash and investments	\$ 1,528,246	\$ 3,976,286	\$ 711,323	\$ 37,474
Cash with fiscal agents	-	-	-	-
Taxes receivable	130,733	-	-	-
Accounts receivable	-	373,617	250,092	37,222
Interest receivable	2,927	17,187	-	-
Deposits and prepaid items	-	-	-	-
Due from Successor Agency	-	-	-	-
Intergovernmental receivable	-	-	-	-
Notes receivable, net	-	-	-	-
Land held for resale	-	-	-	-
Total assets	<u>\$ 1,661,906</u>	<u>\$ 4,367,090</u>	<u>\$ 961,415</u>	<u>\$ 74,696</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 187,736	\$ 197,741	\$ 931	\$ 113
Other accrued liabilities	2,589	109,315	238	48,545
Refundable deposits	-	-	-	23,813
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>190,325</u>	<u>307,056</u>	<u>1,169</u>	<u>72,471</u>
Deferred Inflows of Resources:				
Unavailable Revenue	-	-	248,706	-
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>248,706</u>	<u>-</u>
Fund balances:				
Restricted:				
Public safety	1,471,581	-	-	-
Public right of way	-	4,060,034	-	-
Drainage	-	-	-	-
Community planning and development	-	-	711,540	-
Community services	-	-	-	2,225
Municipal support and services	-	-	-	-
Total fund balances	<u>1,471,581</u>	<u>4,060,034</u>	<u>711,540</u>	<u>2,225</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,661,906</u>	<u>\$ 4,367,090</u>	<u>\$ 961,415</u>	<u>\$ 74,696</u>

Special Revenue Funds					
Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Main Street District	Air Quality Improvement
\$ 4,811,387	\$ -	\$ 82,533	\$ 46,003	\$ 199,706	\$ 474,764
-	-	-	-	-	-
-	-	9,418	4,514	-	-
-	10,968	3,488	38,225	-	926
16,895	-	-	102	915	1,850
-	3,749	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	58,035
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,828,282</u>	<u>\$ 14,717</u>	<u>\$ 95,439</u>	<u>\$ 88,844</u>	<u>\$ 200,621</u>	<u>\$ 535,575</u>
\$ 67,653	\$ -	\$ 30,874	\$ -	\$ 3,500	\$ 12,486
1,641	6,248	1,989	27,477	-	433
-	-	-	-	-	-
-	-	-	-	-	-
-	8,469	-	-	-	-
<u>69,294</u>	<u>14,717</u>	<u>32,863</u>	<u>27,477</u>	<u>3,500</u>	<u>12,919</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
455,116	-	62,576	-	-	522,656
412,565	-	-	-	-	-
1,753,931	-	-	61,367	197,121	-
2,137,376	-	-	-	-	-
-	-	-	-	-	-
<u>4,758,988</u>	<u>-</u>	<u>62,576</u>	<u>61,367</u>	<u>197,121</u>	<u>522,656</u>
<u>\$ 4,828,282</u>	<u>\$ 14,717</u>	<u>\$ 95,439</u>	<u>\$ 88,844</u>	<u>\$ 200,621</u>	<u>\$ 535,575</u>

(continued)

CITY OF GARDEN GROVE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 JUNE 30, 2018

	Special Revenue Funds		
	Other Grants and Contributions	GG Tourism Improvement District	Street Rehabilitation
ASSETS			
Cash and investments	\$ 3,220,203	\$ 721,682	\$ 2,077,109
Cash with fiscal agents	-	-	-
Taxes receivable	-	278,565	-
Accounts receivable	112,631	-	-
Interest receivable	2,291	-	8,938
Deposits and prepaid items	-	-	-
Due from Successor Agency	-	-	-
Intergovernmental receivable	512,752	-	456,864
Notes receivable, net	3,205,299	-	-
Land held for resale	-	-	-
Total assets	<u>\$ 7,053,176</u>	<u>\$ 1,000,247</u>	<u>\$ 2,542,911</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 314,797	\$ -	\$ 260,917
Other accrued liabilities	18,779	722,797	82,031
Refundable deposits	-	-	-
Unearned revenue	52,354	-	-
Due to other funds	734,435	-	530
Total liabilities	<u>1,120,365</u>	<u>722,797</u>	<u>343,478</u>
Deferred Inflows of Resources:			
Unavailable Revenue	241,732	-	-
Total Deferred Inflows	<u>241,732</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted			
Public safety	81,062	-	-
Public right of way	1,721,196	-	2,199,433
Drainage	-	-	-
Community planning and development	3,658,552	277,450	-
Community services	230,269	-	-
Municipal support and services	-	-	-
Total fund balances	<u>5,691,079</u>	<u>277,450</u>	<u>2,199,433</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,053,176</u>	<u>\$ 1,000,247</u>	<u>\$ 2,542,911</u>

Special Revenue			
Fund	Capital Project Funds		Total
HOME Grant Special Revenue Fund	Housing Authority Assets	Public Safety	Nonmajor Governmental Funds
\$ 253,958	\$ 561,714	\$ 121,670	\$ 18,824,058
-	-	4,776,541	4,776,541
-	-	-	423,230
-	1,714	-	828,883
1,008	2,392	-	54,505
-	-	-	3,749
-	-	-	-
1,802	-	-	1,029,453
16,927,921	1,739,701	-	21,872,921
-	-	-	-
<u>\$ 17,184,689</u>	<u>\$ 2,305,521</u>	<u>\$ 4,898,211</u>	<u>\$ 47,813,340</u>
\$ 3,703	\$ -	\$ 653,396	\$ 1,733,847
-	-	123,751	1,145,833
-	-	-	23,813
-	-	-	52,354
-	-	337,910	1,081,344
<u>3,703</u>	<u>-</u>	<u>1,115,057</u>	<u>4,037,191</u>
-	-	-	490,438
-	-	-	490,438
-	-	3,783,154	5,335,797
-	-	-	9,021,011
-	-	-	412,565
17,180,986	2,305,521	-	26,146,468
-	-	-	2,369,870
-	-	-	-
<u>17,180,986</u>	<u>2,305,521</u>	<u>3,783,154</u>	<u>43,285,711</u>
<u>\$ 17,184,689</u>	<u>\$ 2,305,521</u>	<u>\$ 4,898,211</u>	<u>\$ 47,813,340</u>

CITY OF GARDEN GROVE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			
	Public Safety	State Gas Tax	Golf Course	Self Supporting Revenue
REVENUES:				
Taxes	\$ 741,194	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	73,517	-	-	-
Investment earnings	9,616	49,872	-	-
Charges for current services	49,970	-	-	703,550
From other agencies	377,334	4,764,124	-	-
Other revenues	-	316	-	4,313
Total revenues	1,251,631	4,814,312	-	707,863
EXPENDITURES:				
Current:				
Fire	202,384	-	-	-
Police	603,827	-	-	-
Traffic safety	-	296,770	-	-
Public right of way	-	2,029,483	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	813,095
Economic development	-	-	-	-
Parks and greenbelts	-	-	71,971	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	164,178	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	2,332,411	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	970,389	4,658,664	71,971	813,095
Excess (deficiency) of revenues over (under) expenditures	281,242	155,648	(71,971)	(105,232)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	107,457
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	-	-	-	107,457
Special item	-	-	-	-
Net change in fund balances	281,242	155,648	(71,971)	2,225
Fund balance, beginning of year, as restated	1,190,339	3,904,386	783,511	-
Fund balance, end of year	\$ 1,471,581	\$ 4,060,034	\$ 711,540	\$ 2,225

Special Revenue Funds					
Developer Fees	Garden Grove Cable	Street Lighting	Park Maintenance	Main Street District	Air Quality Improvement
\$ -	\$ -	\$ 46	\$ -	\$ -	\$ -
35,025	-	-	-	-	-
-	-	-	-	-	-
50,980	-	-	609	2,855	5,808
1,880,432	-	1,354,893	662,664	26,630	-
-	-	-	-	-	168,942
-	55,141	-	-	-	960
1,966,437	55,141	1,354,939	663,273	29,485	175,710
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,245,767	-	-	-
-	-	61,098	-	28,836	-
-	-	-	-	-	-
-	-	-	-	-	-
-	408,344	-	-	-	-
-	-	-	-	-	-
8,420	-	-	700,000	-	-
119,415	35,234	-	-	-	18,450
-	56	26,113	-	-	122,032
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
167,228	-	-	-	-	-
29,718	-	-	-	-	-
18,293	-	-	-	-	-
-	-	-	-	-	-
163,486	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
506,560	443,634	1,332,978	700,000	28,836	140,482
1,459,877	(388,493)	21,961	(36,727)	649	35,228
-	388,493	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	388,493	-	-	-	-
-	-	-	-	-	-
1,459,877	-	21,961	(36,727)	649	35,228
3,299,111	-	40,615	98,094	196,472	487,428
\$ 4,758,988	\$ -	\$ 62,576	\$ 61,367	\$ 197,121	\$ 522,656

(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, 2018

	Special Revenue Funds		
	Other Grants and Contributions	GG Tourism Improvement District	Street Rehabilitation
REVENUES:			
Taxes	\$ -	\$ 3,391,523	\$ -
Licenses and permits	-	-	-
Fines, forfeits and penalties	1,032,791	-	-
Investment earnings	265,161	-	25,077
Charges for current services	-	-	-
From other agencies	2,953,958	-	2,694,667
Other revenues	211,549	-	-
Total revenues	<u>4,463,459</u>	<u>3,391,523</u>	<u>2,719,744</u>
EXPENDITURES:			
Current:			
Fire	146,579	-	-
Police	851,245	-	-
Traffic safety	401,945	-	-
Public right of way	56,380	-	-
Drainage	-	-	-
Community buildings	-	-	-
Community services	459,989	-	196,323
Economic Development	-	2,356,785	-
Parks and greenbelts	-	-	-
Community planning and development	1,125,886	-	-
Municipal support	-	-	-
Capital outlay:			
Fire	135,560	-	-
Police	98,328	-	-
Traffic safety	-	-	21,105
Public right of way	849,325	-	2,500,528
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>4,125,237</u>	<u>2,356,785</u>	<u>2,717,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>338,222</u>	<u>1,034,738</u>	<u>1,788</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	(757,288)	-
Proceeds from sale of capital assets	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(757,288)</u>	<u>-</u>
Special item	1,551,241	-	-
Net change in fund balances	1,889,463	277,450	1,788
Fund balance, beginning of year, as restated	<u>3,801,616</u>	<u>-</u>	<u>2,197,645</u>
Fund balance, end of year	<u>\$ 5,691,079</u>	<u>\$ 277,450</u>	<u>\$ 2,199,433</u>

Special Revenue Fund	Capital Project Funds		Total
HOME Grant	Housing Authority Assets	Public Safety	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 4,132,763
-	-	-	35,025
-	-	-	1,106,308
-	76,643	16,648	503,269
-	-	-	4,678,139
829,751	-	-	11,788,776
438,777	-	-	711,056
<u>1,268,528</u>	<u>76,643</u>	<u>16,648</u>	<u>22,955,336</u>
-	-	-	\$ 348,963
-	-	-	1,455,072
-	-	-	1,944,482
-	-	-	2,175,797
-	-	-	-
-	-	-	-
-	-	-	1,877,751
-	3,430	-	2,360,215
-	-	-	780,391
112,017	-	-	1,411,002
-	-	-	148,201
-	-	3,347,295	3,482,855
-	-	939,013	1,201,519
-	-	-	21,105
-	-	-	5,849,492
-	-	-	29,718
-	-	-	18,293
-	-	-	-
-	-	-	163,486
-	-	-	-
-	-	-	-
-	-	-	-
<u>112,017</u>	<u>3,430</u>	<u>4,286,308</u>	<u>23,268,342</u>
<u>1,156,511</u>	<u>73,213</u>	<u>(4,269,660)</u>	<u>(313,006)</u>
-	-	-	495,950
-	-	-	(757,288)
-	-	-	-
-	-	-	<u>(261,338)</u>
10,551,080	-	-	12,102,321
11,707,591	73,213	(4,269,660)	11,527,977
<u>5,473,395</u>	<u>2,232,308</u>	<u>8,052,814</u>	<u>31,757,734</u>
<u>\$ 17,180,986</u>	<u>\$ 2,305,521</u>	<u>\$ 3,783,154</u>	<u>\$ 43,285,711</u>

**CITY OF GARDEN GROVE
PUBLIC SAFETY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 725,000	\$ 725,000	\$ 741,194	\$ 16,194
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	40,000	40,000	73,517	33,517
Investment earnings	250,000	250,000	9,616	(240,384)
Charges for current services	55,000	55,000	49,970	(5,030)
From other agencies	-	-	377,334	377,334
Other revenues	-	-	-	-
Total revenues	<u>1,070,000</u>	<u>1,070,000</u>	<u>1,251,631</u>	<u>181,631</u>
EXPENDITURES:				
Current:				
Fire	274,750	274,750	202,384	72,366
Police	872,556	836,556	603,827	232,729
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	128,000	128,000	-	128,000
Police	354,664	682,369	164,178	518,191
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>1,629,970</u>	<u>1,921,675</u>	<u>970,389</u>	<u>951,286</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(559,970)</u>	<u>(851,675)</u>	<u>281,242</u>	<u>1,132,917</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	(559,970)	(851,675)	281,242	1,132,917
Fund balance, beginning of year	<u>1,190,339</u>	<u>1,190,339</u>	<u>1,190,339</u>	<u>-</u>
Fund balance, end of year	<u>\$ 630,369</u>	<u>\$ 338,664</u>	<u>\$ 1,471,581</u>	<u>\$ 1,132,917</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, 2018**

	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	15,000	15,000	49,872	34,872
Charges for current services	-	-	-	-
From other agencies	5,010,327	5,010,327	4,764,124	(246,203)
Other revenues	-	-	316	316
Total revenues	<u>5,025,327</u>	<u>5,025,327</u>	<u>4,814,312</u>	<u>(211,015)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	339,505	339,505	296,770	42,735
Public right of way	2,201,806	2,201,806	2,029,483	172,323
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	10,895	10,895	-	10,895
Public right of way	5,603,214	5,603,214	2,332,411	3,270,803
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>8,155,420</u>	<u>8,155,420</u>	<u>4,658,664</u>	<u>3,496,756</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,130,093)</u>	<u>(3,130,093)</u>	<u>155,648</u>	<u>3,285,741</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>(3,130,093)</u>	<u>(3,130,093)</u>	<u>155,648</u>	<u>3,285,741</u>
Fund balance, beginning of year	<u>3,904,386</u>	<u>3,904,386</u>	<u>3,904,386</u>	<u>-</u>
Fund balance, end of year	<u>\$ 774,293</u>	<u>\$ 774,293</u>	<u>\$ 4,060,034</u>	<u>\$ 3,285,741</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, 2018

	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	350,000	350,000	-	(350,000)
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>-</u>	<u>(350,000)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	149,143	149,143	71,971	77,172
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>149,143</u>	<u>149,143</u>	<u>71,971</u>	<u>77,172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>200,857</u>	<u>200,857</u>	<u>(71,971)</u>	<u>(272,828)</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	200,857	200,857	(71,971)	(272,828)
Fund balance, beginning of year	<u>783,511</u>	<u>783,511</u>	<u>783,511</u>	<u>-</u>
Fund balance, end of year	<u>\$ 984,368</u>	<u>\$ 984,368</u>	<u>\$ 711,540</u>	<u>\$ (272,828)</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, 2018

	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	703,550	28,550
From other agencies	-	-	-	-
Other revenues	-	-	4,313	4,313
Total revenues	<u>675,000</u>	<u>675,000</u>	<u>707,863</u>	<u>32,863</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	950,475	950,475	813,095	137,380
Economic development	-	-	-	-
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>950,475</u>	<u>950,475</u>	<u>813,095</u>	<u>137,380</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275,475)</u>	<u>(275,475)</u>	<u>(105,232)</u>	<u>170,243</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	275,500	275,500	107,457	(168,043)
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>275,500</u>	<u>275,500</u>	<u>107,457</u>	<u>(168,043)</u>
Net change in fund balance	25	25	2,225	2,200
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 2,225</u>	<u>\$ 2,200</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, 2018**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	34,000	34,000	35,025	1,025
Fines, forfeits and penalties	-	-	-	-
Investment earnings	360,000	360,000	50,980	(309,020)
Charges for current services	1,016,000	1,016,000	1,880,432	864,432
From other agencies	-	-	-	-
Other revenues	240,000	240,000	-	(240,000)
Total revenues	<u>1,650,000</u>	<u>1,650,000</u>	<u>1,966,437</u>	<u>316,437</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	100,000	-	100,000
Economic development	-	-	-	-
Parks and greenbelts	34,585	34,585	8,420	26,165
Community planning and development	420,999	420,999	119,415	301,584
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	50,000	50,000	-	50,000
Public right of way	535,397	508,748	167,228	341,520
Drainage	136,238	162,887	29,718	133,169
Community buildings	250,000	150,000	18,293	131,707
Community services	-	-	-	-
Parks and greenbelts	864,514	864,514	163,486	701,028
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>2,291,733</u>	<u>2,291,733</u>	<u>506,560</u>	<u>1,785,173</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(641,733)</u>	<u>(641,733)</u>	<u>1,459,877</u>	<u>2,101,610</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	(641,733)	(641,733)	1,459,877	2,101,610
Fund balance, beginning of year	<u>3,299,111</u>	<u>3,299,111</u>	<u>3,299,111</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,657,378</u>	<u>\$ 2,657,378</u>	<u>\$ 4,758,988</u>	<u>\$ 2,101,610</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, 2018

	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	55,141	(34,859)
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>55,141</u>	<u>(34,859)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	431,660	431,660	408,344	23,316
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	36,977	36,977	35,234	1,743
Municipal support	1,245	1,245	56	1,189
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Drainage	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	12,000	12,000	-	12,000
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>481,882</u>	<u>481,882</u>	<u>443,634</u>	<u>38,248</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(391,882)</u>	<u>(391,882)</u>	<u>(388,493)</u>	<u>3,389</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	391,900	391,900	388,493	(3,407)
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>391,900</u>	<u>391,900</u>	<u>388,493</u>	<u>(3,407)</u>
Net change in fund balance	18	18	-	(18)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ 18</u>	<u>\$ 18</u>	<u>\$ -</u>	<u>\$ (18)</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, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ -	\$ 46	\$ 46
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	1,332,978	1,332,978	1,354,893	21,915
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>1,332,978</u>	<u>1,332,978</u>	<u>1,354,939</u>	<u>21,961</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	1,279,844	1,279,844	1,245,767	34,077
Public right of way	32,034	32,034	61,098	(29,064)
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	21,100	21,100	26,113	(5,013)
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>1,332,978</u>	<u>1,332,978</u>	<u>1,332,978</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>21,961</u>	<u>21,961</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>21,961</u>	<u>21,961</u>
Fund balance, beginning of year	<u>40,615</u>	<u>40,615</u>	<u>40,615</u>	<u>-</u>
Fund balance, end of year	<u>\$ 40,615</u>	<u>\$ 40,615</u>	<u>\$ 62,576</u>	<u>\$ 21,961</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, 2018

	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	-	-	609	609
Charges for current services	700,000	700,000	662,664	(37,336)
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>700,000</u>	<u>700,000</u>	<u>663,273</u>	<u>(36,727)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	700,000	700,000	700,000	-
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>(36,727)</u>	<u>(36,727)</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>(36,727)</u>	<u>(36,727)</u>
Fund balance, beginning of year	<u>98,094</u>	<u>98,094</u>	<u>98,094</u>	<u>-</u>
Fund balance, end of year	<u>\$ 98,094</u>	<u>\$ 98,094</u>	<u>\$ 61,367</u>	<u>\$ (36,727)</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, 2018

	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	-	-	2,855	2,855
Charges for current services	26,700	26,700	26,630	(70)
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>26,700</u>	<u>26,700</u>	<u>29,485</u>	<u>2,785</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	153,679	153,679	28,836	124,843
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	-	-	-	-
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>153,679</u>	<u>153,679</u>	<u>28,836</u>	<u>124,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(126,979)</u>	<u>(126,979)</u>	<u>649</u>	<u>127,628</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>(126,979)</u>	<u>(126,979)</u>	<u>649</u>	<u>127,628</u>
Fund balance, beginning of year	<u>196,472</u>	<u>196,472</u>	<u>196,472</u>	<u>-</u>
Fund balance, end of year	<u>\$ 69,493</u>	<u>\$ 69,493</u>	<u>\$ 197,121</u>	<u>\$ 127,628</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, 2018

	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	-	-	5,808	5,808
Charges for current services	-	-	-	-
From other agencies	226,100	226,100	168,942	(57,158)
Other revenues	-	-	960	960
Total revenues	<u>226,100</u>	<u>226,100</u>	<u>175,710</u>	<u>(50,390)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	17,550	17,550	18,450	(900)
Municipal support	391,986	391,986	122,032	269,954
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>409,536</u>	<u>409,536</u>	<u>140,482</u>	<u>269,054</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183,436)</u>	<u>(183,436)</u>	<u>35,228</u>	<u>218,664</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	(183,436)	(183,436)	35,228	218,664
Fund balance, beginning of year	<u>487,428</u>	<u>487,428</u>	<u>487,428</u>	<u>-</u>
Fund balance, end of year	<u>\$ 303,992</u>	<u>\$ 303,992</u>	<u>\$ 522,656</u>	<u>\$ 218,664</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, 2018**

	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	1,032,791	332,791
Investment earnings	-	-	265,161	265,161
Charges for current services	-	-	-	-
From other agencies	3,337,010	3,587,010	2,953,958	(633,052)
Other revenues	-	-	211,549	211,549
Total revenues	<u>4,037,010</u>	<u>4,287,010</u>	<u>4,463,459</u>	<u>176,449</u>
EXPENDITURES:				
Current:				
Fire	-	308,130	146,579	161,551
Police	656,961	1,301,490	851,245	450,245
Traffic safety	689,661	689,661	401,945	287,716
Public right of way	73,629	121,953	56,380	65,573
Community buildings	-	-	-	-
Community services	632,986	632,986	459,989	172,997
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	1,844,902	1,844,902	1,125,886	719,016
Municipal support	-	-	-	-
Sewer/refuse	48,324	-	-	-
Capital outlay:				
Fire	-	-	135,560	(135,560)
Police	-	-	98,328	(98,328)
Traffic safety	-	-	-	-
Public right of way	3,196,659	2,976,659	849,325	2,127,334
Drainage	-	-	-	-
Community buildings	50,000	50,000	-	50,000
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	220,000	-	220,000
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>7,193,122</u>	<u>8,145,781</u>	<u>4,125,237</u>	<u>4,020,544</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,156,112)</u>	<u>(3,858,771)</u>	<u>338,222</u>	<u>4,196,993</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>
Special item	-	-	1,551,241	1,551,241
Net change in fund balance	(3,156,112)	(3,858,771)	1,889,463	5,748,234
Fund balance, beginning of year	<u>3,801,616</u>	<u>3,801,616</u>	<u>3,801,616</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 645,504</u>	<u>\$ (57,155)</u>	<u>\$ 5,691,079</u>	<u>\$ 5,748,234</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, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 3,300,000	\$ 3,300,000	\$ 3,391,523	\$ 91,523
Licenses and permits	-	-	-	-
Fines, forfeits and penalties	-	-	-	-
Investment earnings	-	-	-	-
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,391,523</u>	<u>91,523</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	2,769,031	2,769,031	2,356,785	412,246
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>2,769,031</u>	<u>2,769,031</u>	<u>2,356,785</u>	<u>412,246</u>
Excess (deficiency) of revenues over (under) expenditures	<u>530,969</u>	<u>530,969</u>	<u>1,034,738</u>	<u>503,769</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(796,200)	(796,200)	(757,288)	38,912
Proceeds of Bonds	-	-	-	-
Total other financing sources (uses)	<u>(796,200)</u>	<u>(796,200)</u>	<u>(757,288)</u>	<u>38,912</u>
Net change in fund balance	<u>(265,231)</u>	<u>(265,231)</u>	<u>277,450</u>	<u>542,681</u>
Fund balance, beginning of year	-	-	-	-
Fund (deficit) balance, end of year	<u>\$ (265,231)</u>	<u>\$ (265,231)</u>	<u>\$ 277,450</u>	<u>\$ 542,681</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, 2018**

	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	7,000	7,000	25,077	18,077
Charges for current services	-	-	-	-
From other agencies	3,462,000	3,462,000	2,694,667	(767,333)
Other revenues	-	-	-	-
Total revenues	<u>3,469,000</u>	<u>3,469,000</u>	<u>2,719,744</u>	<u>(749,256)</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	260,925	260,925	196,323	64,602
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	400,448	378,752	21,105	357,647
Public right of way	4,534,449	4,556,145	2,500,528	2,055,617
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>5,195,822</u>	<u>5,195,822</u>	<u>2,717,956</u>	<u>2,477,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,726,822)</u>	<u>(1,726,822)</u>	<u>1,788</u>	<u>1,728,610</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>(1,726,822)</u>	<u>(1,726,822)</u>	<u>1,788</u>	<u>1,728,610</u>
Fund balance, beginning of year	<u>2,197,645</u>	<u>2,197,645</u>	<u>2,197,645</u>	<u>-</u>
Fund balance, end of year	<u>\$ 470,823</u>	<u>\$ 470,823</u>	<u>\$ 2,199,433</u>	<u>\$ 1,728,610</u>

CITY OF GARDEN GROVE
HOME Grant Special Revenue Fund
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	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	557,014	557,014	829,751	272,737
Other revenues	-	-	438,777	438,777
Total revenues	<u>557,014</u>	<u>557,014</u>	<u>1,268,528</u>	<u>711,514</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	2,322,324	2,322,324	112,017	2,210,307
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>2,322,324</u>	<u>2,322,324</u>	<u>112,017</u>	<u>2,210,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,765,310)</u>	<u>(1,765,310)</u>	<u>1,156,511</u>	<u>2,921,821</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>
Special item	-	-	10,551,080	10,551,080
Net change in fund balance	(1,765,310)	(1,765,310)	11,707,591	13,472,901
Fund balance, beginning of year	5,473,395	5,473,395	5,473,395	-
Fund balance, end of year	<u>\$ 3,708,085</u>	<u>\$ 3,708,085</u>	<u>\$ 17,180,986</u>	<u>\$ 13,472,901</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, 2018

	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	39,813	39,813	109,127	69,314
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>39,813</u>	<u>39,813</u>	<u>109,127</u>	<u>69,314</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	308,282	308,282	1,120,708	(812,426)
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>308,282</u>	<u>308,282</u>	<u>1,120,708</u>	<u>(812,426)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(268,469)</u>	<u>(268,469)</u>	<u>(1,011,581)</u>	<u>(743,112)</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>
Special item	-	-	15,424,125	15,424,125
Net change in fund balance	(268,469)	(268,469)	14,412,544	14,681,013
Fund balance, beginning of year	<u>7,816,843</u>	<u>7,816,843</u>	<u>7,816,843</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,548,374</u>	<u>\$ 7,548,374</u>	<u>\$ 22,229,387</u>	<u>\$ 14,681,013</u>

See accompanying note to required supplementary information.

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, 2018

	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	68,268	68,268	76,643	8,375
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>68,268</u>	<u>68,268</u>	<u>76,643</u>	<u>8,375</u>
EXPENDITURES:				
Current:				
Fire	-	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	-	-	-	-
Community services	-	-	-	-
Economic development	38,280	38,280	3,430	34,850
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>38,280</u>	<u>38,280</u>	<u>3,430</u>	<u>34,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,988</u>	<u>29,988</u>	<u>73,213</u>	<u>43,225</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	29,988	29,988	73,213	43,225
Fund balance, beginning of year	<u>2,232,308</u>	<u>2,232,308</u>	<u>2,232,308</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,262,296</u>	<u>\$ 2,262,296</u>	<u>\$ 2,305,521</u>	<u>\$ 43,225</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, 2018

	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	-	-	16,648	16,648
Charges for current services	-	-	-	-
From other agencies	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>16,648</u>	<u>16,648</u>
EXPENDITURES:				
Current:				
Fire	115,099	-	-	-
Police	-	-	-	-
Traffic safety	-	-	-	-
Public right of way	-	-	-	-
Community buildings	15,000	15,000	-	15,000
Community services	-	-	-	-
Economic development	-	-	-	-
Parks and greenbelts	-	-	-	-
Community planning and development	-	-	-	-
Municipal support	-	-	-	-
Capital outlay:				
Fire	5,456,965	5,572,064	3,347,295	2,224,769
Police	750,133	939,013	939,013	-
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>6,337,197</u>	<u>6,526,077</u>	<u>4,286,308</u>	<u>2,239,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,337,197)</u>	<u>(6,526,077)</u>	<u>(4,269,660)</u>	<u>2,256,417</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	(6,337,197)	(6,526,077)	(4,269,660)	2,256,417
Fund balance, beginning of year	<u>8,052,814</u>	<u>8,052,814</u>	<u>8,052,814</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,715,617</u>	<u>\$ 1,526,737</u>	<u>\$ 3,783,154</u>	<u>\$ 2,256,417</u>

**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, 2018**

	Workers' Compensation	Fleet Management	Employee Benefits	Information Systems
ASSETS				
Current Assets:				
Cash and cash investments	\$ 37,427,544	\$ 31,083,024	\$ 11,212,636	\$ 3,465,509
Accounts receivable, net	116,256	17,534	86,951	-
Interest receivable	197,378	-	-	6,437
Due from other funds	1,417,812	-	-	-
Inventory	-	40,549	-	-
Prepaid Items	-	398,490	-	15,620
Total current assets	<u>39,158,990</u>	<u>31,539,597</u>	<u>11,299,587</u>	<u>3,487,566</u>
Noncurrent Assets:				
Deposits	-	-	-	1,720
Intercity loans receivable	-	3,204,048	-	-
Capital assets				
Construction in progress	-	91,661	-	-
Depreciable capital assets, net	-	9,016,571	-	376,420
Total noncurrent assets	<u>-</u>	<u>12,312,280</u>	<u>-</u>	<u>378,140</u>
Total assets	<u>39,158,990</u>	<u>43,851,877</u>	<u>11,299,587</u>	<u>3,865,706</u>
DEFERRED OUTFLOWS OF RESOURCES				
OPEB related	-	3,610	-	10,378
Pension related	-	652,851	-	1,181,027
Total Deferred Outflows	<u>-</u>	<u>656,461</u>	<u>-</u>	<u>1,191,405</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	171,100	44,041	536,861	175,586
Accrued liabilities	67,510	25,585	217,853	48,056
Interest payable	-	-	-	76
Refundable deposits	-	-	1,453	-
Current portion of long term liabilities				
Capital leases	-	-	-	50,902
Accrued compensated absences	-	-	7,211,457	-
Claims payable	4,673,037	-	-	-
Total current liabilities	<u>4,911,647</u>	<u>69,626</u>	<u>7,967,624</u>	<u>274,620</u>
Noncurrent liabilities:				
Capital leases	-	-	-	198,175
Accrued compensated absences	-	-	379,550	-
Claims payable	28,671,963	-	-	-
Intercity loans payable	-	-	-	-
Net pension liability	-	2,828,149	-	5,116,200
OPEB liability	-	159,130	-	457,499
Total noncurrent liabilities	<u>28,671,963</u>	<u>2,987,279</u>	<u>379,550</u>	<u>5,771,874</u>
Total liabilities	<u>33,583,610</u>	<u>3,056,905</u>	<u>8,347,174</u>	<u>6,046,494</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related	-	95,099	-	172,037
Total Deferred Inflows	<u>-</u>	<u>95,099</u>	<u>-</u>	<u>172,037</u>
NET POSITION				
Net investment in capital assets	-	9,108,232	-	127,343
Unrestricted	5,575,380	32,248,102	2,952,413	(1,288,763)
Total net position (deficit)	<u>\$ 5,575,380</u>	<u>\$ 41,356,334</u>	<u>\$ 2,952,413</u>	<u>\$ (1,161,420)</u>

Warehouse Operations	Telephone System	Risk Management	Communication Replacement	Total
\$ 509,784	\$ 1,870,228	\$ 19,161,965	\$ 706,122	\$ 105,436,812
-	-	-	-	220,741
-	-	84,369	-	288,184
-	-	-	-	1,417,812
401,628	-	-	-	442,177
-	-	-	-	414,110
911,412	1,870,228	19,246,334	706,122	108,219,836
-	-	-	-	1,720
-	-	-	-	3,204,048
-	-	-	-	-
-	-	-	-	91,661
-	248,114	-	2,759,494	12,400,599
-	248,114	-	2,759,494	15,698,028
911,412	2,118,342	19,246,334	3,465,616	123,917,864
-	-	-	-	13,988
-	-	-	-	1,833,878
-	-	-	-	1,847,866
108,967	47,350	34,520	10,178	1,128,603
5,167	3,169	9,132	-	376,472
-	-	-	-	76
-	-	-	-	1,453
-	-	-	-	-
-	49,623	-	-	100,525
-	-	-	-	7,211,457
-	-	946,383	-	5,619,420
114,134	100,142	990,035	10,178	14,438,006
-	148,868	-	-	347,043
-	-	-	-	379,550
-	-	3,086,617	-	31,758,580
-	-	-	3,204,048	3,204,048
-	-	-	-	7,944,349
-	-	-	-	616,629
-	148,868	3,086,617	3,204,048	44,250,199
114,134	249,010	4,076,652	3,214,226	58,688,205
-	-	-	-	267,136
-	-	-	-	267,136
-	49,623	-	2,759,494	12,044,692
797,278	1,819,709	15,169,682	(2,508,104)	54,765,697
\$ 797,278	\$ 1,869,332	\$ 15,169,682	\$ 251,390	\$ 66,810,389

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, 2018

	<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	\$ 6,664,698	\$ 8,314,950	\$ 41,711,796	\$ 2,639,387
Other	-	113,656	-	-
Total operating revenues	<u>6,664,698</u>	<u>8,428,606</u>	<u>41,711,796</u>	<u>2,639,387</u>
Operating expenses:				
Salaries and wages	1,767,642	1,614,376	11,183,819	2,755,410
Employee benefits	-	-	27,629,446	-
Contractual services	17,936	614,579	77,882	321,720
Liability claims	10,995,398	208,884	-	26,559
Materials and supplies	-	1,847,768	349,625	256,705
Depreciation	-	1,087,807	-	114,883
Total operating expenses	<u>12,780,976</u>	<u>5,373,414</u>	<u>39,240,772</u>	<u>3,475,277</u>
Operating (loss) income	<u>(6,116,278)</u>	<u>3,055,192</u>	<u>2,471,024</u>	<u>(835,890)</u>
Nonoperating revenues (expenses):				
Investment (loss) income	(225,322)	-	-	34,503
Gain (loss) on disposal of assets	-	49,020	-	(30,373)
Interest expense	-	(952)	-	(3,429)
Total nonoperating (expenses) revenues	<u>(225,322)</u>	<u>48,068</u>	<u>-</u>	<u>701</u>
(Loss) income before transfers and capital contributions	(6,341,600)	3,103,260	2,471,024	(835,189)
Capital contributions	-	25,000	-	-
Transfers in	-	80,857	-	500,000
Transfers out	-	-	(1,472,484)	-
Change in net position	<u>(6,341,600)</u>	<u>3,209,117</u>	<u>998,540</u>	<u>(335,189)</u>
Total net position, beginning of year, as restated	<u>11,916,980</u>	<u>38,147,217</u>	<u>1,953,873</u>	<u>(826,231)</u>
Total net position (deficit), end of year	<u>\$ 5,575,380</u>	<u>\$ 41,356,334</u>	<u>\$ 2,952,413</u>	<u>\$ (1,161,420)</u>

	Warehouse Operations	Telephone System	Risk Management	Communication Replacement	Total
\$	1,273,890	\$ 645,178	\$ 1,660,090	\$ 600,000	\$ 63,509,989
	-	-	-	-	113,656
	1,273,890	645,178	1,660,090	600,000	63,623,645
	254,716	123,978	372,621	-	18,072,562
	-	-	-	-	27,629,446
	984	616,047	1,562,401	803,343	4,014,892
	24,747	-	1,734,865	-	12,990,453
	1,012,248	3,370	2,781	-	3,472,497
	-	-	-	210,412	1,413,102
	1,292,695	743,395	3,672,668	1,013,755	67,592,952
	(18,805)	(98,217)	(2,012,578)	(413,755)	(3,969,307)
	-	-	60,734	-	(130,085)
	-	-	-	-	18,647
	-	-	-	(42,762)	(47,143)
	-	-	60,734	(42,762)	(158,581)
	(18,805)	(98,217)	(1,951,844)	(456,517)	(4,127,888)
	-	-	-	-	25,000
	-	-	-	-	580,857
	-	-	(100,000)	-	(1,572,484)
	(18,805)	(98,217)	(2,051,844)	(456,517)	(5,094,515)
	816,083	1,967,549	17,221,526	707,907	71,904,904
\$	797,278	\$ 1,869,332	\$ 15,169,682	\$ 251,390	\$ 66,810,389

**CITY OF GARDEN GROVE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Workers' Compensation	Fleet Management	Employee Benefits	Information Systems
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from user departments	\$ 6,791,079	\$ 8,319,905	\$ 38,755,697	\$ 2,640,069
Payments to suppliers	(4,836,901)	(3,029,155)	-	(516,878)
Payments to employees	(1,767,642)	(1,247,728)	(11,566,344)	(2,097,041)
Payments for employee benefits	-	-	(28,406,609)	-
Net cash provided (used) by operating activities	<u>186,536</u>	<u>4,043,022</u>	<u>(1,217,256)</u>	<u>26,150</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Cash received from other funds	454,449	400,506	1,346,735	500,000
Cash paid to other funds	(1,417,812)	-	(1,472,484)	-
Net cash (used) provided by non capital financing activities	<u>(963,363)</u>	<u>400,506</u>	<u>(125,749)</u>	<u>500,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	(1,075,484)	-	(38,657)
Proceeds from sale of capital assets	-	85,830	-	-
Payments on lease purchase agreement	-	(69,836)	-	(60,389)
Interest paid	-	(1,057)	-	(3,448)
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(1,060,547)</u>	<u>-</u>	<u>(102,494)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings	656,770	-	-	34,828
(Decrease) in fair value of investments	(987,955)	-	-	-
Net cash (used) provided by investing activities	<u>(331,185)</u>	<u>-</u>	<u>-</u>	<u>34,828</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,108,012)</u>	<u>3,382,981</u>	<u>(1,343,005)</u>	<u>458,484</u>
Cash and cash equivalents, beginning of year	<u>38,535,556</u>	<u>27,700,043</u>	<u>12,555,641</u>	<u>3,007,025</u>
Cash and cash equivalents, end of year	<u>\$ 37,427,544</u>	<u>\$ 31,083,024</u>	<u>\$ 11,212,636</u>	<u>\$ 3,465,509</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating (loss) income	\$ (6,116,278)	\$ 3,055,192	\$ 2,471,024	\$ (835,890)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities:				
Depreciation expense	-	1,087,807	-	114,883
Other nonoperating revenues (expenses)	-	-	-	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	58,650	(17,534)	(5,714)	911
(Increase) decrease in due from other funds	-	-	-	-
(Increase) decrease in inventory	-	3,340	-	-
(Increase) decrease in prepaid expense	-	(398,490)	7,875	(15,620)
(Increase) decrease in deposits	-	-	32,100	-
Increase (decrease) in accounts payable	154,655	(52,419)	(1,439,568)	103,495
Increase (decrease) in compensated absences	-	-	(2,502,115)	-
Increase (decrease) in accrued liabilities	67,510	(25,208)	217,853	(25,943)
Increase (decrease) in refundable deposits	-	(1,520)	1,289	-
Increase (decrease) in claims payable	6,021,999	-	-	-
Increase (decrease) in OPEB liability and related changes in deferred outflows of resources	-	7,437	-	21,383
Increase (decrease) in net pension liability and related changes in deferred outflows and inflows of resources	-	384,417	-	662,931
Total adjustments	<u>6,302,814</u>	<u>987,830</u>	<u>(3,688,280)</u>	<u>862,040</u>
Net cash provided (used) by operating activities	<u>\$ 186,536</u>	<u>\$ 4,043,022</u>	<u>\$ (1,217,256)</u>	<u>\$ 26,150</u>

Supplemental schedule of noncash financing activities:

During the year-ended June 30, 2018, the Telephone System Internal Service Fund acquired equipment in exchange for capital lease obligation totaling \$248,114.

	Warehouse Operations	Telephone System	Risk Management	Communication Replacement	Total
\$	1,273,460	\$ 645,245	\$ 1,673,368	\$ 600,000	\$ 60,698,823
	(1,068,820)	(610,685)	(3,768,340)	(793,165)	(14,623,944)
	(257,294)	(125,965)	(381,359)	-	(17,443,373)
	-	-	-	-	(28,406,609)
	(52,654)	(91,405)	(2,476,331)	(193,165)	224,897
	-	-	-	-	2,701,690
	-	-	(100,000)	(443,268)	(3,433,564)
	-	-	(100,000)	(443,268)	(731,874)
	-	-	-	(340,730)	(1,454,871)
	-	-	-	-	85,830
	-	(49,623)	-	-	(179,848)
	-	-	-	-	(4,505)
	-	(49,623)	-	(340,730)	(1,553,394)
	-	-	250,073	-	941,671
	-	-	(221,761)	-	(1,209,716)
	-	-	28,312	-	(268,045)
	(52,654)	(141,028)	(2,548,019)	(977,163)	(2,328,416)
	562,438	2,011,256	21,709,984	1,683,285	107,765,228
\$	509,784	\$ 1,870,228	\$ 19,161,965	\$ 706,122	\$ 105,436,812
\$	(18,805)	\$ (98,217)	\$ (2,012,578)	\$ (413,755)	(3,969,307)
	-	-	-	210,412	1,413,102
	-	-	-	-	-
	-	-	13,977	-	50,290
	-	-	-	-	-
	40,147	-	-	-	43,487
	-	-	-	-	(406,235)
	-	-	-	-	32,100
	(71,419)	8,800	24,008	10,178	(1,262,270)
	-	-	-	-	(2,502,115)
	(2,577)	(1,988)	(8,738)	-	220,909
	-	-	-	-	(231)
	-	-	(493,000)	-	5,528,999
	-	-	-	-	-
	-	-	-	-	28,820
	-	-	-	-	-
	-	-	-	-	1,047,348
	(33,849)	6,812	(463,753)	220,590	4,194,204
\$	(52,654)	\$ (91,405)	\$ (2,476,331)	\$ (193,165)	\$ 224,897

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Statistical Section

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Statistical Section

This part of the 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			
	2009	2010	2011	2012
Governmental activities:				
Net investment in capital assets	\$ 661,323	\$ 553,141	\$ 560,993	\$ 643,306
Restricted	68,985	94,568	97,634	29,976
Unrestricted	22,510	129,445	129,866	119,190
Total governmental activities net position	<u>\$ 752,818</u>	<u>\$ 777,154</u>	<u>\$ 788,493</u>	<u>\$ 792,472</u>
Business-type activities:				
Net investment in capital assets	\$ 75,932	\$ 85,079	\$ 88,713	\$ 89,607
Restricted	-	-	-	-
Unrestricted	25,543	28,226	45,395	36,861
Total business-type activities net position	<u>\$ 101,475</u>	<u>\$ 113,305</u>	<u>\$ 134,108</u>	<u>\$ 126,468</u>
Primary government:				
Net investment in capital assets	\$ 737,255	\$ 638,220	\$ 649,706	\$ 732,913
Restricted	68,985	94,568	97,634	29,976
Unrestricted	48,053	157,671	175,261	156,051
Total primary government net position	<u>\$ 854,293</u>	<u>\$ 890,459</u>	<u>\$ 922,601</u>	<u>\$ 918,940</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					
2013	2014	2015	2016	2017	2018
\$ 643,095	\$ 644,220	\$ 642,786	\$ 641,661	\$ 631,964	\$ 622,932
22,114	22,150	17,848	21,967	24,613	65,456
<u>123,504</u>	<u>117,646</u>	<u>(83,857)</u>	<u>(88,223)</u>	<u>(86,669)</u>	<u>(111,538)</u>
<u>\$ 788,713</u>	<u>\$ 784,016</u>	<u>\$ 576,777</u>	<u>\$ 575,405</u>	<u>\$ 569,908</u>	<u>\$ 576,850</u>
\$ 97,657	\$ 107,299	\$ 111,947	\$ 117,488	\$ 118,371	\$ 119,954
-	-	-	-	-	-
<u>39,457</u>	<u>44,291</u>	<u>29,703</u>	<u>26,011</u>	<u>28,288</u>	<u>29,677</u>
<u>\$ 137,114</u>	<u>\$ 151,590</u>	<u>\$ 141,650</u>	<u>\$ 143,499</u>	<u>\$ 146,659</u>	<u>\$ 149,631</u>
\$ 740,752	\$ 751,519	\$ 754,733	\$ 759,149	\$ 750,335	\$ 742,886
22,114	22,150	17,848	21,967	24,613	65,456
<u>162,961</u>	<u>161,937</u>	<u>(54,154)</u>	<u>(62,212)</u>	<u>(58,381)</u>	<u>(81,861)</u>
<u>\$ 925,827</u>	<u>\$ 935,606</u>	<u>\$ 718,427</u>	<u>\$ 718,904</u>	<u>\$ 716,567</u>	<u>\$ 726,481</u>

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

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 20,273	\$ 20,876	\$ 21,939	\$ 20,700	\$ 23,934	\$ 27,428
45,467	49,289	50,837	47,309	53,783	64,245
3,097	3,872	3,517	3,001	4,425	5,088
16,541	14,051	16,903	16,917	18,456	18,952
1,426	1,284	1,445	1,453	1,438	1,561
4,596	4,504	4,973	4,691	4,998	5,096
4,452	4,679	4,797	4,606	5,184	5,677
-	-	1,944	2,333	4,271	3,099
1,838	1,973	2,146	1,957	1,861	5,628
7,938	8,491	7,837	5,633	6,989	9,590
6,344	7,112	7,609	6,151	8,434	8,721
1,815	1,305	862	1,962	1,212	1,133
<u>113,787</u>	<u>117,436</u>	<u>124,809</u>	<u>116,713</u>	<u>134,985</u>	<u>156,218</u>
26,419	26,761	30,003	26,982	31,109	35,410
8,641	7,092	8,128	8,095	8,709	9,671
-	-	-	-	-	-
31,586	30,489	30,707	36,947	30,390	33,130
<u>66,646</u>	<u>64,342</u>	<u>68,838</u>	<u>72,024</u>	<u>70,208</u>	<u>78,211</u>
<u>180,433</u>	<u>181,778</u>	<u>193,647</u>	<u>188,737</u>	<u>205,193</u>	<u>234,429</u>
1,106	1,422	1,011	1,683	1,347	1,830
3,486	3,169	3,019	2,717	3,150	3,599
1,349	1,349	1,351	1,347	1,356	1,355
249	358	272	391	394	406
-	-	-	-	-	-
-	-	-	-	401	-
851	859	986	768	1,015	1,145
-	-	-	-	108	-
1,319	1,282	1,264	1,226	1,265	834
1,491	2,128	1,839	2,320	2,031	3,605
2,553	2,693	2,656	3,109	3,555	3,730
10,012	13,277	13,295	15,819	14,868	14,771
5,789	5,435	6,032	3,569	497	2,329
<u>28,205</u>	<u>31,972</u>	<u>31,725</u>	<u>32,949</u>	<u>29,987</u>	<u>33,604</u>
33,738	35,186	33,145	29,158	32,130	35,595
13,204	12,051	12,095	12,339	12,939	12,837
-	-	-	-	-	-
30,582	30,656	30,726	31,730	31,379	31,461
-	-	-	-	-	-
<u>77,524</u>	<u>77,893</u>	<u>75,966</u>	<u>73,227</u>	<u>76,448</u>	<u>79,893</u>
<u>105,729</u>	<u>109,865</u>	<u>107,691</u>	<u>106,176</u>	<u>106,435</u>	<u>113,497</u>
(85,582)	(85,464)	(93,084)	(83,764)	(104,998)	(122,614)
10,878	13,551	7,128	1,203	6,240	1,682
<u>\$ (74,704)</u>	<u>\$ (71,913)</u>	<u>\$ (85,956)</u>	<u>\$ (82,561)</u>	<u>\$ (98,758)</u>	<u>\$ (120,932)</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			
	2009	2010	2011	2012
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Sales taxes	\$ 16,236	\$ 14,076	\$ 16,776	\$ 18,461
Property taxes	43,786	42,212	52,268	43,920
Transient occupancy taxes	11,257	10,196	11,697	12,320
Other taxes	4,825	4,864	5,775	7,297
Motor vehicle taxes, levied for general purposes	14,088	513	801	87
Investment income	6,257	8,830	4,240	760
Other general revenues	3,579	2,153	425	651
Gain/(Loss) on sale of capital assets	-	-	-	(18,941) ¹
Transfers	70	-	-	20,373 ³
Capital Contribution	-	-	-	-
Special Item	-	-	-	-
Total governmental activities	<u>100,098</u>	<u>82,844</u>	<u>91,982</u>	<u>84,928</u>
Business-type activities:				
Investment income	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)	-	-	(20,373) ³
Total business-type activities	<u>1,631</u>	<u>1,583</u>	<u>14,396</u>	<u>(22,862)</u>
Total primary government	<u>101,729</u>	<u>84,427</u>	<u>106,378</u>	<u>62,066</u>
Changes in net position				
Governmental activities	(2,640)	6,533	11,339	5,269
Business-type activities	9,451	11,830	20,805	(8,931)
Total primary government	<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 of operations

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	2018
\$ 19,805	\$ 20,285	\$ 19,251	\$ 22,052	\$ 21,793	\$ 20,737
35,145	35,286	36,972	40,574	42,113	30,168
14,448	16,443	17,217	20,897	25,121	25,983
7,316	7,438	7,761	8,214	8,314	8,660
90	75	72	71	79	16,958
1,757	1,945	2,005	3,344	1,337	1,870
1,210	297	534	7,270	488	622
-	(1,002) ⁵	3	2,774	-	-
-	-	(7)	-	292	581
2,309 ⁴	-	-	-	-	-
-	-	-	-	-	30,058
<u>82,080</u>	<u>80,767</u>	<u>83,808</u>	<u>105,196</u>	<u>99,537</u>	<u>135,637</u>
437	715	523	428	142	410
-	41	169	59	-	-
-	169	29	159	182	208
-	-	-	-	-	-
-	-	7	-	(292)	(581)
<u>437</u>	<u>925</u>	<u>728</u>	<u>646</u>	<u>32</u>	<u>37</u>
<u>82,517</u>	<u>81,692</u>	<u>84,536</u>	<u>105,842</u>	<u>99,569</u>	<u>135,674</u>
(3,502)	(4,697)	(9,276)	21,432	(5,460)	13,023
11,315	14,476	7,856	1,849	6,272	1,719
<u>\$ 7,813</u>	<u>\$ 9,779</u>	<u>(1,420)</u>	<u>23,281</u>	<u>\$ 812</u>	<u>\$ 14,742</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			
	2009	2010	2011	2012
General fund:				
Reserved	\$ 49,176	\$ 47,951	\$ -	\$ -
Non-Spendable:				
Agency reimbursement agreement	-	-	-	-
COP reimbursement agreement	-	-	-	-
Intercity loan	-	-	40,056	13,375
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	-	-	-	1,000
Garden Grove tourism improvement	-	-	-	53
Property tax lawsuit	-	-	500	500
Building improvements	-	-	1,300	1,300
General Plan	-	-	-	113
Paramedic Tax	-	-	-	-
Other purposes	-	-	384	-
Unreserved	5,479	71	-	-
Unassigned	-	-	4,566	18,444
Total general fund	<u>\$ 54,655</u>	<u>\$ 48,022</u>	<u>\$ 47,941</u>	<u>\$ 34,785</u>
All other governmental funds:				
Reserved	\$ 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	2,680
Public right of way	-	-	13,080	11,783
Drainage	-	-	287	354
Community services	-	-	1,450	207
Community planning and development	-	-	97,109	12,185
Municipal support	-	-	199	229
Committed:				
Community planning and development	-	-	994	-
Assigned:				
Post-Employment Benefits	-	-	-	-
Property tax lawsuit	-	-	-	-
Building improvements	-	-	-	-
Other purposes	-	-	-	-
Unreserved, reported in:				
Special revenue funds	(41,485)	(11,371)	-	-
Debt service funds	4,463	1,399	-	-
Capital projects funds	(33,563)	(39,251)	-	-
Unassigned	-	-	(31,170)	(3,055)
Total all other governmental funds	<u>\$ 87,808</u>	<u>\$ 92,876</u>	<u>\$ 99,055</u>	<u>\$ 24,383</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					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
13,375	13,375	13,375	13,375	13,414	13,456
-	-	-	-	-	-
-	-	-	13	10	17
-	-	-	-	-	-
-	-	-	-	103	84
-	-	-	-	-	-
-	-	-	-	161	166
-	-	-	-	7	2,764
-	-	-	-	15	35
-	-	-	-	-	-
-	-	-	-	-	-
1,000	1,000	1,000	1,000	1,000	1,000
139	231	231	314	404	-
500	500	500	500	500	500
1,300	1,300	1,300	1,300	1,300	1,300
132	223	273	239	325	301
-	-	-	-	-	617
-	-	-	-	-	-
-	-	-	-	-	-
16,016	16,217	16,330	18,331	22,629	29,428
<u>\$ 32,462</u>	<u>\$ 32,846</u>	<u>\$ 33,009</u>	<u>\$ 35,072</u>	<u>\$ 39,868</u>	<u>\$ 49,668</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,793	2,814	1,754	9,260	9,521	4,581
8,433	3,665	5,358	7,639	8,434	9,021
453	569	647	754	529	412
650	-	180	196	945	2,370
12,200	12,695	10,385	16,712	18,080	48,376
242	304	-	755	-	755
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(67)	(551)	(755)	(4)	466	-
<u>\$ 24,704</u>	<u>\$ 19,496</u>	<u>\$ 17,569</u>	<u>\$ 35,312</u>	<u>\$ 37,975</u>	<u>\$ 65,515</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		
	2009	2010	2011
Revenues:			
Taxes	\$ 90,692	\$ 85,353	\$ 91,330
Licenses and permits	818	1,553	962
Fines, forfeitures and penalties	2,761	3,103	2,911
Investment earnings	7,219	7,689	4,859
Charges for current services	11,065	11,413	12,002
From other agencies	39,707	55,879	50,336
Other revenues	3,053	2,100	6,393
Total revenues	<u>155,315</u>	<u>167,090</u>	<u>168,793</u>
Expenditures			
Current:			
Fire	20,769	19,331	18,862
Police	44,787	43,863	44,727
Traffic safety	2,896	2,967	2,733
Public right of way	8,130	7,373	5,865
Drainage	148	13	-
Community buildings	3,935	3,366	3,188
Community services	4,433	4,428	4,037
Economic development	-	-	-
Parks and greenbelts	1,804	1,649	1,664
Community planning and development	31,145	59,813	51,950
Municipal support	7,079	7,639	7,359
Capital outlay	23,162	16,671	15,754
Debt service:			
Principal retirement	3,519	4,956	4,214
Interest and other charges	8,076	7,726	4,938
Total expenditures	<u>159,883</u>	<u>179,795</u>	<u>165,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,568)</u>	<u>(12,705)</u>	<u>3,502</u>
Other financing sources (uses):			
Transfers in	32,608	52,785	41,588
Transfers out	(32,438)	(47,597)	(41,492)
Issuance of debt	-	-	2,500
Proceeds of debt	-	-	-
Gain/(Loss) on sale of capital assets	-	2,320	-
Contribution to Housing Authority	-	-	-
Extraordinary Gain/(Loss)	-	-	-
Payment to bond escrow agent	-	-	-
Total other financing sources (uses)	<u>170</u>	<u>7,508</u>	<u>2,596</u>
Special Item			
Net change in fund balances	<u>\$ (4,398)</u>	<u>\$ (5,197)</u>	<u>\$ 6,098</u>
Debt service as a percentage of noncapital expenditures	8.5%	7.8%	6.1%

Source: Finance Department, City of Garden Grove

							Fiscal Year						
2012		2013		2014		2015		2016		2017		2018	
\$	82,531	\$	77,231	\$	80,010	\$	81,823	\$	92,268	\$	98,042	\$	103,090
	946		1,128		1,405		1,139		1,554		1,687		2,005
	2,673		2,960		2,755		2,629		2,222		2,622		3,134
	1,560		1,800		1,780		1,546		1,285		1,275		1,846
	10,401		10,084		10,267		9,528		9,943		10,041		11,945
	15,617		13,324		12,857		15,945		15,991		11,640		12,047
	1,612		3,332		1,991		2,079		11,071		3,847		4,193
	<u>115,340</u>		<u>109,859</u>		<u>111,065</u>		<u>114,689</u>		<u>134,334</u>		<u>129,154</u>		<u>138,260</u>
	19,996		20,447		20,143		21,672		23,195		23,707		25,067
	45,558		45,478		47,027		49,389		51,942		53,168		56,128
	2,894		2,595		3,105		3,102		2,959		4,215		3,925
	5,880		5,730		5,662		6,886		7,515		7,257		7,197
	-		-		-		-		-		-		66
	3,519		3,082		3,086		3,408		3,317		3,185		3,421
	4,449		4,453		4,562		4,793		5,470		4,852		4,687
	-		-		-		1,944		2,333		2,757		3,099
	1,883		1,927		2,019		2,247		2,217		1,939		2,325
	10,871		7,761		8,156		7,359		7,229		6,497		7,982
	8,805		6,797		7,215		7,600		8,012		7,903		7,626
	15,569		10,366		14,956		9,032		7,371		6,754		10,938
	4,434		1,939		2,036		1,937		2,097		3,342		573
	3,226		1,383		1,280		1,199		939		1,184		1,087
	<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>134,121</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>		<u>4,139</u>
	78,846		1,239		3,232		7,761		11,783		1,396		2,826
	(57,373)		(1,139)		(1,181)		(3,558)		(11,683)		(1,296)		(1,253)
	-		-		-		-		25,962		-		-
	1,856		-		-		-		-		-		-
	-		-		1,307		22		1,735		4,965		-
	-		-		-		-		-		-		-
	(98,139)		-		-		-		-		-		-
	-		-		-		-		(17,462)		-		-
	<u>(74,810)</u>		<u>100</u>		<u>3,358</u>		<u>4,225</u>		<u>10,335</u>		<u>5,065</u>		<u>1,573</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>		<u>\$ 30,029</u>
	6.9%		3.3%		3.2%		2.8%		2.6%		3.8%		1.3%

**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
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
2018	20,736,558	30,168,189	2,408,395	6,251,994	25,982,696	16,957,517	102,505,349

Source: Finance Department, City of Garden Grove

**SCHEDULE VI
CITY OF GARDEN GROVE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUES 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		
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	1.140%
2015	10,538,784	356,435	10,895,219	2,897,658	328,394	3,226,052	1.145%
2016	10,568,876	234,280	10,803,156	3,070,910	317,449	3,388,359	1.151%
2017	12,226,724	364,776	12,591,500	3,579,711	363,489	3,943,200	1.150%
2018	12,873,943	335,785	13,209,728	3,797,471	366,576	4,164,047	1.189%

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
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	-	-	0.06602	-	1.13952
2015	1.0000	0.07000	0.00350	-	-	0.07163	-	1.14513
2016	1.0000	0.07000	0.00350	-	-	0.07748	-	1.15098
2017	1.0000	0.07000	0.00350	-	-	0.07603	-	1.14953
2018	1.0000	0.08000	0.00350	-	-	0.10599	-	1.18949

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**

<u>Taxpayer</u>	<u>2018</u>		<u>2009</u>	
	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>
GWGG LLC	\$ 183,177,778	1.39%		
Investel Harbor Resorts LLC	135,833,400	1.03%		
Landmark Marriott Suites LLC	116,988,349	0.89%	95,187,259	0.72%
Chist Catholic Catherdral Facilities	70,571,911	0.53%		
Park Grove Fee Owner LLC	50,207,719	0.38%		
Pine Grove Apartment Fund LTD	48,400,028	0.37%		
Chatham Rigg LLC	48,293,310	0.37%		
HGGA Promenade	46,706,755	0.35%		
Buaro Improvement Associates LLC	45,607,006	0.35%		
Ohi Resort Hotels LLC	43,674,186	0.33%	38,419,059	0.29%
Inland American Lodge GG			79,724,950	0.61%
Walton CWCA GG			63,240,000	0.48%
KPA Rigg LLC			51,489,600	0.39%
Car Noa GGN LLC			47,331,823	0.36%
Prime Healthcare Services			38,706,255	0.29%
Kilroy Realty LP			30,193,514	0.23%
Western Pacific Housing, Inc.			27,940,343	0.21%
Swedlow Inc.			27,638,767	0.21%
	<u>\$ 789,460,442</u>	<u>5.99%</u>	<u>\$ 499,871,570</u>	<u>3.79%</u>

Source: Hdl Coren & Cone The City of Garden Grove 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
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%
2018	0.0025	26,376,092	25,752,153	97.6	174,164	25,926,316	98.3	1,000,741	3.8%

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						Total Governmental Activities
	Certificates of Participation 2002 ¹	Lease Revenue Bonds ²	RDA 2008 Bonds ³	Tax Allocation Bonds ⁴	Loans ^{5 6 7}	Capital Leases ⁸	
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	29,010,313
2017	-	25,104,126	-	-	69,826	622,676	25,796,628
2018	-	24,624,760	-	-	23,732	589,293	25,237,785

^{1 2} The City refunded the 2002 COP in 2015 with the 2015A Lease Revenue Bonds and upsized with additional issuance of approximately \$8,500,000.

³ The former Redevelopment Agency entered into a subordinate note purchase agreement in the amount of \$2,015,000 in June 2008 to refund a note issued to Katella Cottages. After dissolution, this liability is the responsibility of the State of California. Since dissolution in February 2012, the RDA 2008 Bonds (above) no longer report the Katella Cottages Loan.

⁴ The City refunded the \$52,325,000 tax allocation bonds in 2003.

⁵ The former Redevelopment Agency borrowed \$32,000,000 from Union Bank in 2008. After dissolution this liability is the responsibility of the State of California. Since dissolution in February 2012, Loans (above) no longer report the Union Bank loan.

⁶ The City currently has an outstanding loan with the California Energy Commission to finance \$505,575 of energy retrofitting.

⁷ The Housing Authority refunded the \$9,010,000 HUD Section 108 loan, of which \$7,660,000 borrowed from HUD in 2008 was paid off in fiscal year 2015-2016.

⁸ The City entered into various capital leases for energy retrofitting, mail machines, copiers, and telephones.

⁹ The City issued \$16,625,000 Water Revenue Bond in 2010.

¹⁰ The City issued \$21,845,000 Sewer COP in 2006; and refunded the 2006 Sewer COPs in 2017.

¹¹ 1993 COP was issued to finance acquisition of real property by the Garden Grove Housing Authority.

¹² These ratios are calculated using personal income and population for the prior calendar year.

Source: Finance Department, City of Garden Grove

Business-type Activities						
Water Revenue Bonds ⁹	Sewer Revenue COP ¹⁰	Certificates of Participation ¹¹	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹²	Debt Per Capita ¹²
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	65,255,627	0.13%	373
20,775,000	18,365,000	-	39,140,000	68,150,313	0.14%	384
19,571,107	16,740,627	-	36,311,734	62,108,362	0.12%	352
18,039,382	16,148,171	-	34,187,553	59,425,338	0.11%	336

**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			Total	Percent of Assessed Value ¹	Per Capita
	Certificates of Participation	Lease Revenue Bonds	Tax Allocation Bonds			
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	-	25,568	-	25,568	0.18%	144
2017	-	25,104	-	25,104	0.15%	142
2018	-	24,625	-	24,625	0.14%	139

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

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

Source: Finance Department, City of Garden Grove

**CITY OF GARDEN GROVE
DIRECT AND OVERLAPPING BONDS AND DEBT
JUNE 30, 2018**

CITY OF GARDEN GROVE

2017-18 Assessed Valuation: \$16,063,411,906

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2018	% Applicable ¹	City's Share of Debt 6/30/18
Metropolitan Water District	\$ 60,600,000	0.585%	\$ 354,510
Coast Community College District	781,334,504	6.343%	49,560,048
North Orange County Joint Community College District	206,054,001	2.329%	4,798,998
Rancho Santiago Community College District	246,734,249	6.477%	15,980,977
Rancho Santiago Community College District School Facilities Improvement Dist	121,395,000	11.279%	13,692,142
Garden Grove Unified School District	328,540,160	58.239%	191,338,504
Orange Unified School District	188,000,000	1.191%	2,239,080
Anaheim Union High School District	200,528,955	0.074%	148,391
Huntington Beach Union High School District	187,014,998	1.300%	2,431,195
Anaheim School District	168,236,416	0.097%	163,189
Magnolia School District	21,793,305	0.193%	42,061
Westminster School District	91,569,939	7.340%	6,721,234
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 287,470,329

<u>OVERLAPPING GENERAL FUND DEBT:</u>	Total Debt	% Applicable	City's Share of
Orange County General Fund Obligations	\$ 210,347,000	2.881%	\$ 6,060,097
Orange County Pension Obligation Bonds	383,564,389	2.881%	11,050,490
Orange County Board of Education Certificates of Participation	13,990,000	2.881%	403,052
North Orange Regional Occupation Program Certificates of Participation	9,610,000	0.026%	2,499
Coast Community College District General Fund Obligations	3,285,000	6.343%	208,368
Orange Unified School District Certificates of Participation	31,578,225	1.191%	376,097
Orange Unified School District Benefit Obligations	78,765,000	1.191%	938,091
Anaheim Union High School District Certificates of Participation	38,605,000	0.074%	28,568
Huntington Beach Union High School District Certificates of Participation	63,556,090	1.300%	826,229
Magnolia School District Certificates of Participation	16,257,211	0.193%	31,376
Westminster School District Certificates of Participation	42,856,659	7.340%	3,145,679
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 23,070,546

<u>DIRECT GOVERNMENTAL FUND DEBT (NET OF BOND DISCOUNT/PREMIUM):</u>	Total Debt	%	City's Share of
City of Garden Grove Governmental Fund Obligations			
Lease Revenue Bonds	\$ 24,624,760	100%	\$ 24,624,760
Agreements Payable	23,730	100%	23,730
Capital Lease Payable	589,290	100%	589,290
			\$ 25,237,780

OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$ 75,010,000	2.250-100. %	\$ 67,062,925
TOTAL DIRECT DEBT			\$ 25,237,780
TOTAL OVERLAPPING DEBT			\$ 310,540,875
COMBINED TOTAL DEBT			\$ 335,778,655 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 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.93%
Total Direct Debt (\$25,237,780)	0.16%
Combined Total Debt	2.09%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$3,470,153,405):

Total Overlapping Tax Increment Debt	1.93%
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Prepared for the City of Garden Grove
Source: California Municipal Statistics, Inc./ MuniServices. LLC

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

	Fiscal Year			
	2009	2010	2011	2012
Assessed valuation	\$ 10,076,761	\$ 9,676,927	\$ 9,625,579	\$ 9,795,771
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,519,190	2,419,232	2,406,395	2,448,943
Debt limit percentage	15%	15%	15%	15%
Debt limit	377,879	362,885	360,959	367,341
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 377,879</u>	<u>\$ 362,885</u>	<u>\$ 360,959</u>	<u>\$ 367,341</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

¹The 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.

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

Fiscal Year						
2013 ¹	2014 ¹	2015	2016	2017	2018	
\$ 9,884,428	\$ 10,242,047	\$ 10,895,219	\$ 10,803,156	\$ 12,591,500	\$ 13,209,728	
25%	25%	25%	25%	25%	25%	
2,471,107	2,560,512	2,723,805	2,700,789	3,147,875	3,302,432	
15%	15%	15%	15%	15%	15%	
370,666	384,077	408,571	405,118	472,181	495,365	
-	-	-	-	-	-	
<u>\$ 370,666</u>	<u>\$ 384,077</u>	<u>\$ 408,571</u>	<u>\$ 405,118</u>	<u>\$ 472,181</u>	<u>\$ 495,365</u>	
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

**SCHEDULE XIV
CITY OF GARDEN GROVE
PLEGGED-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	
2009	29,025,085	19,581,536	9,443,549	695,000	592,638	1,287,638	7.33
2010	29,314,717	20,713,227	8,601,490	1,040,000	1,299,320	2,339,320	3.68
2011	30,651,300	21,520,591	9,130,709	1,280,000	1,383,464	2,663,464	3.43
2012	34,492,870	21,413,634	13,079,236	1,320,000	1,340,727	2,660,727	4.92
2013	33,933,081	22,848,625	11,084,456	1,375,000	1,286,725	2,661,725	4.16
2014	35,721,417	22,876,255	12,845,162	1,430,000	1,225,677	2,655,677	4.84
2015	33,573,575	25,146,241	8,427,334	1,490,000	1,165,202	2,655,202	3.17
2016	29,519,804	25,781,906	3,737,898	1,515,000	861,491	2,376,491	1.57
2017	32,345,481	26,404,580	5,940,901	1,570,000	817,465	2,387,465	2.49
2018	35,946,867	30,301,866	5,645,001	1,600,000	775,290	2,375,290	2.38

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	
2009	10,174,100	3,462,717	6,711,383	440,000	1,023,341	1,463,341	4.59
2010	9,973,485	3,044,947	6,928,538	460,000	1,005,741	1,465,741	4.73
2011	9,570,394	2,786,977	6,783,417	475,000	987,341	1,462,341	4.64
2012	9,293,119	3,555,210	5,737,909	495,000	968,341	1,463,341	3.92
2013	10,302,890	3,645,873	6,657,017	515,000	948,541	1,463,541	4.55
2014	10,361,393	3,264,411	7,096,982	535,000	927,941	1,462,941	4.85
2015	10,242,532	3,814,961	6,427,571	560,000	906,541	1,466,541	4.38
2016	10,521,214	3,880,996	6,640,218	580,000	884,141	1,464,141	4.54
2017	10,356,150	4,424,966	5,931,184	520,000	676,575	1,196,575	4.96
2018	10,641,504	5,009,287	5,632,217	540,000	660,975	1,200,975	4.69

(Continued)

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

Fiscal Year	Tax Allocation Bonds Debt Service Requirement				Coverage
	Tax Increment ¹	Principal	Interest	Total	
2009	21,808,918	1,765,000	2,577,762	4,342,762	5.02
2010	21,281,936	1,850,000	2,533,638	4,383,638	4.85
2011	19,632,456	1,945,000	2,402,238	4,347,238	4.52
2012	7,198,257	2,020,000	2,320,413	4,340,413	1.66
2013	20,003,696	2,105,000	2,232,756	4,337,756	4.61
2014	20,205,156	2,195,000	2,130,406	4,325,406	4.67
2015	20,526,084	2,360,000	1,526,300	3,886,300	5.28
2016	15,837,862	2,430,000	1,454,450	3,884,450	4.08
2017	18,484,197	2,505,000	1,380,425	3,885,425	4.76
2018	17,693,119	2,380,000	1,295,250	3,675,250	4.81

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

Fiscal Year	Tax Allocation Bonds Debt Service Requirement				Coverage
	Tax Increment ¹	Principal	Interest	Total	
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	15,837,862	-	1,716,504	1,716,504	9.23
2017	18,484,197	-	1,652,250	1,652,250	11.19
2018	17,693,119	-	1,652,250	1,652,250	10.71

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
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	25,581	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%
2018	176,896	5,243,712	29,747	3.4%

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

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

<u>Employer</u>	<u>2018</u>		<u>2009</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Great Wolf Lodge Southern California	700	0.88%		
Air Industries Company	625	0.79%	662	0.82%
Garden Grove Medical Center	516	0.65%		
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%
Costco	323	0.41%		
Walmart #4171	281	0.35%		
Lutheran Social Services of Souther California	250	0.31%		
Full Clip/Customfab Inc.	230	0.29%		
Crystal Cathedral			495	0.61%
Driessen Aircraft Interior Systems			370	0.46%
Saint Gobain Performance Plastics			363	0.45%
OfficeMax Inc.			360	0.44%
Anning Johnson Company			350	0.43%
Microsemi Corp - Integrated Products			275	0.34%

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**

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City Manager	12	10	10	9	9	9	9	10	29	29
Community Development	59	59	59	65	58	58	58	53	37	37
Community Services	148	145	143	159	156	157	151	147	146	153
Economic Development	13	13	13	13	-	-	-	-	-	-
Finance	37	37	37	37	39	40	40	41	38	38
Fire	112	111	110	110	107	109	111	111	106	106
Information Technology	20	20	20	20	20	19	19	19	20	20
Personnel	10	9	9	10	9	9	9	10	11	11
Police	334	334	333	302	275	268	273	272	289	293
Public Works	<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>	<u>198</u>
Total	<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>	<u>885</u>
Full time employees	685	682	681	676	621	623	633	632	640	641
Part time employees	257	252	249	248	246	241	231	227	234	244

Source: Budget Division, City of Garden Grove

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Arrests	7,316	7,195	6,920	6,651	6,774	6,423	6,478	5,468	6,358	7,476
Traffic citations issued	12,787	15,490	14,945	11,393	13,815	10,903	9,604	9,890	9,114	11,114
Fire:										
Number of emergency calls	16,548	16,306	23,381	25,586	26,739	26,785	26,785	14,627	15,134	15,297
Public Right-of-Way:										
Parking citations issued	30,464	26,660	24,800	24,590	24,571	25,919	28,017	25,500	27,127	33,797
Permits issued	276	269	201	314	406	501	605	546	482	566
Community Services:										
Number of recreation classes	1,544	1,398	1,817	1,540	1,987	2,016	2,416	1,918	1,947	1,701
Housing vouchers	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,215
Community Planning and Development										
Building permits issued	3,878	3,514	3,881	2,036	2,427	2,808	2,041	2,259	2,233	3,066
Water:										
Number of accounts	34,217	34,239	33,689	33,751	34,206	33,807	33,834	33,870	33,892	33,893
Average daily consumption (thousands of gallons)	23,345	21,843	20,528	21,480	21,324	22,024	20,391	17,563	17,946	20,249
Solid Waste Disposal:										
Number of accounts	30,895	30,723	33,308	33,424	33,886	34,136	33,658	33,968	33,966	33,786
Drainage:										
Channels cleaned (miles)	5	5	5	5	5	5	5	5	5	5
Municipal Support:										
Passports issued ¹	500	463	292	624	673	507	247	N/A	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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	19	19	20
Park acreage	142	142	142	142	142	142	142	137	137	140
Community centers	1	1	2	2	2	2	2	2	2	2
Water:										
Water mains (miles)	433	433	433	433	433	433	433	433	433	433
Number of connections	34,217	34,239	33,689	33,751	34,206	34,257	34,294	34,313	34,336	34,347
Sewage Collection:										
Sanitary sewers (miles)	320	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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