



*City of*  
***La Habra***

**2005 Comprehensive Annual  
Financial Report**

**For Fiscal Year Ending June 30, 2005**

# City of La Habra, California

Comprehensive Annual Financial Report  
Year Ended June 30, 2005

**McGladrey & Pullen**

Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International,  
an affiliation of separate and independent legal entities.

## Contents

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Introductory Section	
Letter of Transmittal	i-ix
GFOA Certificate of Achievement for Excellence in Financial Reporting	x
Organizational Chart	xi
Directory of City Officials	xii
<hr/>	
Financial Section	
Independent Auditor's Report	1 and 2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14 and 15
Fund Financial Statements:	
Balance Sheet—Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Assets—Proprietary Funds	20 and 21
Statement of Revenues, Expenses and Changes in Net Assets—Proprietary Funds	22 and 23
Statement of Cash Flows—Proprietary Funds	24-27
Statement of Fiduciary Assets and Liabilities—Agency Fund—Public Deposits	28
Notes to Financial Statements	29-54
<hr/>	
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	55
Note to Required Supplementary Information	56
<hr/>	
Supplementary Information	
Combining Balance Sheet—Nonmajor Governmental Funds	57 and 58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds	59 and 60
Combining Schedule of Revenues and Expenditures—Budget and Actual—Nonmajor Governmental Funds	61 and 62
Combining Statement of Net Assets—Nonmajor Enterprise Funds	63
Combining Statement of Revenues, Expenses and Changes in Net Assets—Nonmajor Enterprise Funds	64
Combining Statement of Cash Flows—Nonmajor Enterprise Funds	65 and 66
Combining Statement of Net Assets—Internal Service Funds	67 and 68
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets—Internal Service Funds	69 and 70
Combining Statement of Cash Flows—Internal Service Funds	71 and 72
Schedule of Changes in Assets and Liabilities—Agency Fund—Public Deposits	73
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## Contents, Continued

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### Statistical Section

#### Government-wide information:

Government-wide Expenses by Function	74
Government-wide Revenues	75

#### Fund information:

General Governmental Expenditures—by Function	76 and 77
General Governmental Revenues—by Source	78
Property Tax Rates	79
Net Taxable Assessed Values—10-year History	80
2004/05 City Roll Summary	81
Property Tax Dollar Breakdown	82
Use Category Summary, 2004/05	83
2004/05 Top Ten Property Owners	84
2004 Top Property Owner Summary	85
2004 Top Property Taxpayers	86 and 87
Top 25 Sales Tax Producers	88
Property Tax Levies and Collections	89
2004/05 Growth Summary by Agency	90 and 91
Water Consumption, Services and Collections	92
Average Monthly Water Service Comparison	93
Ten Largest Users of Water	94
Water Rates	95
Statement of Legal General Obligation Debt Margin	96
Schedule of Direct and Overlapping Bonded Debt	97
Schedule of Debt Ratings	98
Schedule of Insurance in Force	99
Demographic Statistics	100
Miscellaneous Statistics	101

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## INTRODUCTORY SECTION



# City of La Habra

"A Caring Community"

## DEPARTMENT OF FINANCE

201 E. La Habra Boulevard  
Post Office Box 785  
La Habra, CA 90633-0785  
Office: (562) 905-9729  
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### **Honorable Mayor, Mayor Pro Tem and Members of the City Council:**

The Comprehensive Annual Financial Report of the City of La Habra for the fiscal year ended (FYE) June 30, 2005 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City Administration. To the best of our knowledge and belief, the enclosed data are accurate in all materials respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of La Habra. Disclosures necessary to enable a reader to gain an understanding of the City's financial activities have been included.

### **FISCAL YEAR 2004-2005 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the City's principal elected and appointed officials. The financial section includes the basic financial statements, required supplementary information and other supplementary information including the combining and individual fund financial statements and schedules, as well as the independent auditor's report on these financial statements and schedules and the management discussion and analysis. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

The City of La Habra is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments and Non-profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal and state awards and the independent auditor's reports on internal controls and compliance with applicable laws and regulations, is included in a separately issued compliance report.

This reporting includes all funds and account groups of the City of La Habra (the primary government), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The component units are controlled by common governing boards and, therefore, are represented as blended component units for financial reporting purposes. Blended component units, although legally separate entities are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Redevelopment Agency of the City of La Habra (the Agency), the La Habra Civic Improvement Authority (CIA), and the La Habra Housing Authority (HA) are reported as funds of the primary government.

The City of La Habra provides a full range of traditional municipal services. Police services are provided through a department operating under the direct control of the City of La Habra while Fire services are contracted with the Los Angeles County Fire Authority. The City of La Habra also operates a water distribution system and a wastewater collection system and the collection of solid waste is provided as a City service through a franchise arrangement with a private firm. The City provides for construction, repair, and maintenance of streets and storm water collection systems and is responsible for the administration and enforcement of housing and building codes, as well as economic and community development activities. The City also provides various community and social services, recreational activities and cultural events.

## **CITY LOCATION AND CHARACTER**

The City of La Habra (population 61,771) is located in the northwest corner of the County of Orange, California, approximately 20 miles east of downtown Los Angeles. La Habra is known as a bedroom community where residents have access to, and participate in, the greater Orange County and Los Angeles County economies. La Habra is largely built out (90% developed by the mid-1970's), with the majority of residential housing constructed in the 1950's.

Net Taxable Assessed Value (NTAV) for 2004-2005 represents a 7.4% increase over FY 2003-2004 with a total NTAV of \$3,598,042,087. Based 2000 Census data, the median household income is on par with the state and national averages, but is low compared with the average of Orange County cities.

Although the City is largely residential, it experienced losses in employment between 1990 and 1995 as a result of the general recession in the State. However, the economic recovery of the State and City since of the mid-to-late 1990's was reflected in the addition of a significant number of new jobs and increased retail activity in the area. Unemployment for the City of La Habra remains favorable as compared to the national and state rate and that of neighboring Los Angeles County.

The City of La Habra has long-standing contractual agreements to provide certain municipal services to other governmental entities. These services include animal control, fire protection and court liaison services. During FY 04/05, the City approved an agreement with the Los Angeles County Fire Authority to provide fire services. This agreement replaced the city-run fire department, with the transition to Los Angeles County Fire occurring in July 2005.

The City has also has a practice of contracting for services with the private sector for such activities as traffic signal maintenance, civil engineering design, refuse collection, sewer maintenance, traffic engineering, tree trimming, parking citations, landscaping, building maintenance and street sweeping.

The City of La Habra has made extensive progress on a major public improvement and economic development project along La Habra Boulevard between Harbor and Beach Boulevards. This project includes: installation of a boulevard-type landscaped median down the center of sections of the street; improvements to the storm drainage system; enhancements to and landscaping of the side areas; possible acquisition of land for the development of additional off-street parking facilities; and improvements to the alleyways adjacent to La Habra Boulevard. The project is expected to cost a total of \$13 million, with the Redevelopment Agency funding approximately \$7 million via tax increment bond proceeds. Other funding sources include State Gas Tax subventions, Water enterprise fund resources, grant proceeds, and capital project reserves.

## **FINANCIAL INFORMATION**

The management of the City of La Habra is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and, 2) the valuation of costs and benefits requires estimates and judgements by management.

### *Single Audit*

As a recipient of federal, state and local financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2005 are provided under a separate report.

### *Budget Controls*

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget appropriation adopted by resolution of the City Council for the General Fund, the Debt Service Fund, the Capital Project Funds, the Enterprise Funds, the Internal Service Funds, and the Special Revenue Funds. Some Special Revenue Funds are not included in the annual appropriation resolution, but are adopted separately on an as needed basis. Formal budgetary integration is employed as a management control during the year. Supplemental appropriations are approved by the City Council in the form of budget amendment motions or as part of special grant authorizing motions. The level of budgetary control is at the individual fund level, but management control is exercised at budgetary line-item level.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental and proprietary funds. Encumbrances outstanding at year-end are reported as reservations of fund balance in the equity section of the balance sheet since they do not constitute expenditures or liabilities.

The budget has been prepared in accordance with generally accepted accounting principles (GAAP). The budget statement (combined statement of revenues, expenditures and changes in fund balance), budgeted and actual, is presented on the same basis of accounting used in preparing the adopted budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility of sound financial management.

*General Government Functions*

The following schedule presents a summary of revenues for all governmental funds for the year ended June 30, 2005 and increases and decreases in relation to prior year amounts:

<b>Revenues</b>	<b>2005 Amount</b>	<b>Percent of Total</b>	<b>2004 Amount</b>	<b>Increase (Decrease) from 2004</b>	<b>Percent of Increase</b>
Taxes	24,979,404	52.6	20,785,422	4,193,982	20.2
Intergovernmental	13,939,559	29.4	13,172,100	767,459	5.8
Licenses & Permits	2,609,181	5.5	2,659,088	(49,907)	(1.9)
Fines & Forfeitures	624,665	1.3	557,614	67,051	12.0
Use of Money & Property	1,201,020	2.5	875,324	325,696	37.2
Charges for Services	4,111,510	8.7	4,072,499	39,011	0.96
<b>Total</b>	<b>47,465,339</b>	<b>100.0</b>	<b>42,122,047</b>	<b>5,343,292</b>	<b>12.7</b>

Revenues from these governmental funds for fiscal year 2004–2005 were \$47,465,339 as compared with \$42,122,047 for fiscal year 2003–2004, an increase of 12.7%. Major revenue variances included the following:

Taxes: In 2004, the State of California permanently lowered the Vehicle License Fee (VLF); however, they agreed to continue to fund the backfill portion owed to local governments from property tax revenues rather than the State General Fund. As a result, VLF backfill revenues are now considered to be property tax in lieu of VLF, not VLF revenues. To accommodate this change in revenue classification the City’s Property Tax revenues were increased by \$2,851,836 and the City’s VLF revenues (in the Intergovernmental category) were decreased by \$2,851,836. This decrease in Intergovernmental revenues is not readily apparent due to the receipt of a \$2,000,000 grant in FY 04/05 and due to the receipt of \$959,367 of VLF gap loan financing proceeds in March 2005, both of which were reported in the Intergovernmental revenue category.

In addition to the VLF backfill reclassification, the Taxes revenue category grew due to increases in secured property tax revenues (\$331,277 or 6.4% more than FY 03/04) and sales tax (357,407 or 4.3% more than FY 03/04).

Use of Money and Property: In FY 03/04 the City’s investment portfolio posted a \$218,918 unrealized loss due to market conditions at the time the portfolio was valued. At the end of FY 04/05, the portfolio posted an unrealized loss of \$18,215. The difference of \$200,703 is reported as increased revenues; however, it is important to note that no actual gains or losses were incurred, but due to accounting requirements, unrealized gains and losses are reflected in the financial statements. The only instance when an unrealized gain or loss is actually incurred is if a given security with a market gain or loss is sold prior to maturity. There are situations when this strategy may be employed, either to maintain the portfolio’s benchmark duration or diversity, to sell a underperforming security to purchase a better performing security, or to sell a security to improve the credit quality of the portfolio.

The other major revenue variance in this category is a \$178,607 growth of interest income for other City funds invested in the portfolio.

The following schedule presents a summary of expenditures for all governmental funds for the fiscal year ended June 30, 2005 and increases and decreases in relation to prior year amounts:

<b>Expenditures</b>	<b>2005 Amount</b>	<b>Percent Of Total</b>	<b>2004 Amount</b>	<b>Increase (Decrease) From 2003</b>	<b>Percent Of Change</b>
General Government	3,794,454	6.9	4,019,240	(224,786)	(5.6)
Intergovernmental	392,850	0.7	405,876	(13,026)	(3.2)
Public Safety	19,008,603	34.6	17,596,969	1,411,634	8.0
Public Works	4,348,452	7.9	4,563,727	(215,275)	(4.7)
Community Services	7,006,481	12.8	6,826,434	180,047	2.6
Community Development	3,363,698	6.1	2,805,036	558,662	19.9
Manpower	411,959	0.8	651,364	(239,405)	(36.8)
Capital Outlay	15,079,158	27.5	6,577,885	8,501,273	129.2
Debt Service	1,498,477	2.7	1,499,377	(900)	(0.1)
<b>Total</b>	<b>54,904,132</b>	<b>100.0</b>	<b>44,945,908</b>	<b>9,958,224</b>	<b>22.2</b>

Expenditures for these governmental funds for fiscal year 2004–2005 totaled \$54,904,133, which represents an increase of 22.2% over fiscal year 2003–2004. Major expenditure variances included the following:

Public Safety: Due to negotiated increases in compensation, Police and Fire labor costs in FY 04/05 increased by \$1.4 million, or 8.9%, compared to FY 03/04. This increase brought Police and Fire pay levels to the average comparable pay found in other Orange County cities.

Community Development: Community Development activities, including Redevelopment, increased by over \$500,000 in FY 04/05 due to increased investment in deferred maintenance and to conduct a number of studies related to street and park improvement projects.

Manpower: This expense category realized a reduction in expenses of almost \$240,000 compared to FY 03/04 due to a reduction of available grant revenues.

Capital Outlay: Due to a significant and continuing increase in Citywide capital construction plans, the City spent \$8.5 million more in FY 04/05 than the previous fiscal year. Increases in expenditures were realized in the Capital Projects Fund (General Fund), the Redevelopment Agency and in several Special Revenue Funds (Measure M, Gas Tax, etc.)

### *General Fund Balance*

The total General Fund balance as of June 30, 2005 was \$10,236,147. Of this amount, \$2,518,385 is considered restricted and unavailable for appropriation with \$2,481,046 owed by other funds for long-term advances and \$37,339 reserved for inventories.

The remaining \$7,717,762 fund balance is considered available and unrestricted with \$6,325,075 set aside as a general reserve and \$1,392,687 set aside as an operating reserve. Prudent financial management necessitates that sufficient reserves be established to provide funding for emergencies, disaster recovery, unanticipated expenses and to demonstrate creditworthiness to credit rating agencies. Among city governments, unrestricted reserve levels typically range from 5% to 50% of annual expenditure budgets and can fluctuate based on availability of funds and reserve policies. As of June 30, 2005, the City's total unrestricted reserve levels equaled 24.4% of the FY 05/06 General Fund expenditure budget, with 20.0% in general reserves and 4.4% in operating reserves.

### *Debt*

As of fiscal year ended June 30, 2005, the City's component units had a number of debt issues outstanding. These issues included \$2,695,000 in special tax bonds, \$24,845,000 in certificates of participation, \$7,550,000 in tax allocation bonds and \$7,355,000 in revenue bonds. The City, as a separate legal entity, has no general obligation debt outstanding.

### *Capital Projects Funds*

The Capital Projects Funds belong to both the City and the Agency. The City's Capital Project Fund is used to record activities related to capital projects of the City. The Agency has two Capital Projects Funds. One consists of operations relating to specific projects of the Agency. The other is required by California Redevelopment Law to account for 20% of all tax increment to be set aside and used for the construction or improvement of low and moderate-income housing. Each year, the 20% of all tax increment is placed in the Redevelopment Agency Low and Moderate Income Housing Fund.

### Capital Assets

The capital assets of the City's governmental activities are those used in the performance of general government functions and exclude the capital assets of the Enterprise Funds, but does include the capital assets of the Internal Service Funds. As of June 30, 2005, the capital assets (net of depreciation) of the City's governmental activities amounted to \$58,178,081. This amount represents the original cost of the assets or estimated historical cost if actual historical cost is not available. This amount is considerably less than their present value. Depreciation of capital assets is recognizable in the City's financial statements using the straight-line method based on the estimated useful life of an asset.

### Enterprise Operations

The enterprise operations of the City of La Habra comprise several distinct activities as shown in the following table:

<b>Enterprise Operation</b>	<b>Operating Revenue</b>	<b>Operating Expenses</b>	<b>Non Operating Revenue (Expenses)</b>	<b>Net Assets Beginning</b>	<b>Net Assets (Deficits) Ending</b>
Water	7,517,970	7,000,314	9,027	9,600,779	9,901,118
Sewer	914,135	994,576	146,365	9,373,827	9,406,669
Refuse	2,169,393	2,034,353	1,413	(1,335)	63,300
Children's Museum	498,793	501,378	(2,635)	557,750	637,530
Mobile Home	2,224,906	2,199,898	3,880	448,903	477,791
Housing Authority	1,957,341	811,728	(730,216)	2,677,036	3,092,433
<b>Total</b>	<b>15,282,538</b>	<b>13,542,247</b>	<b>(572,166)</b>	<b>22,656,960</b>	<b>23,578,841</b>

The Water utility of the City of La Habra, which serves over 12,567 customers operated with a net income before transfers of \$526,683. Its total net assets, including the value of fixed capital assets, at year-end were \$9,901,118.

Sewer revenues are generated based on a rate that is 10.008% of the cost of water used by the customer. The sewer enterprise operated with a net income before transfers of \$65,924. Its total net assets, including the value of fixed capital assets, at year-end were \$9,406,669.

In response to AB 939, which requires the City to meet certain set percentages for solid waste recycling, the City implemented a new automated refuse and recycling collection system in the spring of 1998. The State mandate requires that 25% of residential solid waste be recycled by year 1995 and that 50% of residential solid waste be recycled by year 2000. Each residential customer was provided with two 96-gallon containers for the collection of refuse and recyclable material. As a result of the solid waste recycling program, the City has seen significant increases in the amount of recyclable material recovered. The refuse enterprise operated with a net income before transfers of \$136,453. Its total net assets at year-end were \$63,300.

In July 1990, the Children's Museum at La Habra was removed from the General Fund and established as an enterprise activity. The museum enterprise operated with a net loss before

transfers of \$5,220 and has total net assets of \$637,530, primarily comprised of fixed capital assets, at year-end.

The Mobile Home Fund operated with a net income before transfers of \$28,888 and has total net assets of \$477,791 at year-end.

The Housing Authority operated with a net income before transfers of \$415,397 and has total net assets of \$3,092,433 at year-end.

### *Cash Management*

To assure the most competitive rates on investments, the City maintains a cash and investment pool that is available for use by all funds, except for bond proceeds and reserves, which are required to be held by a trustee. The City's investments are guided by an investment policy adopted by the City Council that is in compliance with statutory requirements for municipal investments. In January 2005, the City submitted its adopted 2005 Investment Policy to the Association of Public Treasurers of the United States and Canada (APT US&C) for review and certification. In July 2005 the APT US&C completed their review and certified the City's 2005 Investment Policy as "meeting the standards set forth" by their organization.

As of June 30, 2005, the City had \$45,053,708 in cash and short-term investments such as securities of the U.S. Government and the State of California Local Agency Investment Fund. The City's investment philosophy is to minimize credit and market risks while maintaining a competitive yield on its portfolio, to ensure that funds are available when needed, to manage its pooled idle cash position under the prudent investor's rule, and to maximize the productive use of assets entrusted to its care.

### *Risk Management*

The City has established a Risk Management division, the goal of which is to minimize the loss of City assets caused by accidental loss or resulting in employee injury and third-party liability claims by effective utilization of management techniques of risk retention, risk transfer, loss prevention and loss reduction. There are two self-insured programs administered by the City: liability and industrial injury. The City became self-insured for liability claims and settlements in March 1976. Through reinsurance, a stop loss of \$250,000 per occurrence has been established. The City became self-insured for industrial injury in 1974. Through reinsurance, a stop loss of \$750,000 for each miscellaneous and \$750,000 for each safety occurrence has been established. The industrial injury stop loss caps were increased from \$500,000 per occurrence in July 2004.

In the Risk Management Internal Service Fund, a reserve has been calculated to provide for future claims resulting from happenings prior to June 30, 2005. The reserve's balance is \$2,127,254, with a net assets deficit of \$420,806.

## INDEPENDENT AUDIT

An annual audit of the accounting and financial records of the City of La Habra is conducted by independent certified public accountants to meet the requirements of the Single Audit Act and the related U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments and Non-profit Organizations*. The auditors are required to audit all funds and account groups of the City in accordance with auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards*. The firm, McGladrey & Pullen, LLP, was retained by the City of La Habra to perform these auditing services for the fiscal year ended June 30, 2005. The auditor's report on the basic financial statements and supplementary information is included in the financial section of this report. The auditor's reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards can be found in a separately issued compliance report.

## ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the effort and professionalism demonstrated by the Department of Finance staff. Preparation of the financials required a major effort from the entire accounting staff and we would like to express our appreciation to everyone who assisted and contributed to the effort, particularly Finance Manager Melvin Shannon, Revenue Manager Stefanie Turner, Senior Accountant John Balderas and Accountant Mary Ann Sy.

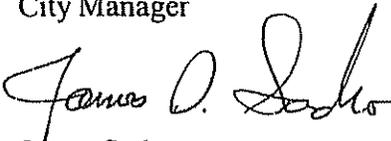
We wish to acknowledge the professional manner in which McGladrey & Pullen, LLP conducted the audit and express our appreciation for their assistance, in particular Jeffrey Altshuler, Beth Attianese, Rika Van Ossenbruggen, Mariel Cisterino and Robert Wiemann.

We also thank the City Council for their commitment and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Brad Bridenbecker,  
City Manager



James Sadro,  
Director of Finance/City Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of La Habra,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

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



*Nancy L. Zjelle*

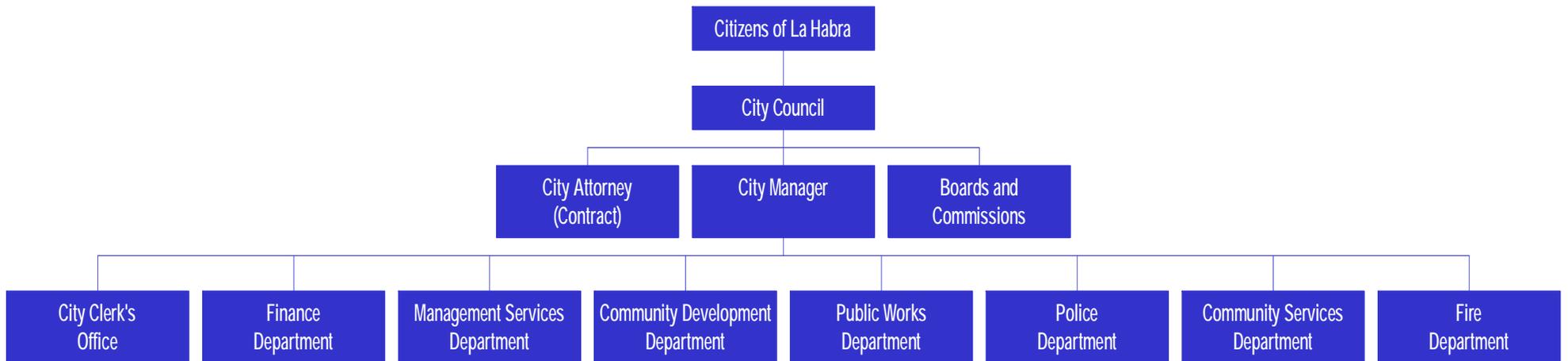
President

*Jeffrey R. Emer*

Executive Director



## City Organization & Services



**CITY OF LA HABRA**

**CITY OFFICIALS  
AS OF JUNE 30, 2005**

***MEMBERS OF THE CITY COUNCIL***

Mayor Steven Anderson  
Mayor Pro Tem G. Steve Simonian  
Councilmember Thomas Beamish  
Councilmember James Gomez  
Councilmember Rose M. Espinosa

***City Manager***  
**Brad Bridenbecker**

***City Attorney***  
**Richard Jones**

***City Clerk***  
**Tamara Mason**

***Director of Finance & City Treasurer***  
**James Sadro**

***Director of Community Development***  
**Lisa Heep**

***Director of Management Services***  
**Carlene Cook**

***Director of Community Services***  
**Salvatore Failla**

***Director of Public Works***  
**Edward Wimmer**

***Acting Chief of Fire***  
**Edward Lazar**

***Chief of Police***  
**Dennis Kies**

## FINANCIAL SECTION

## Independent Auditor's Report

The Honorable Mayor and Members  
of the City Council  
City of La Habra  
La Habra, California

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 La Habra, California, (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund and internal service funds financial statements and other schedule, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

Irvine, California

October 27, 2005, except for Note 7, as to which the date is November 30, 2005



# City of La Habra

"A Caring Community"

## DEPARTMENT OF FINANCE

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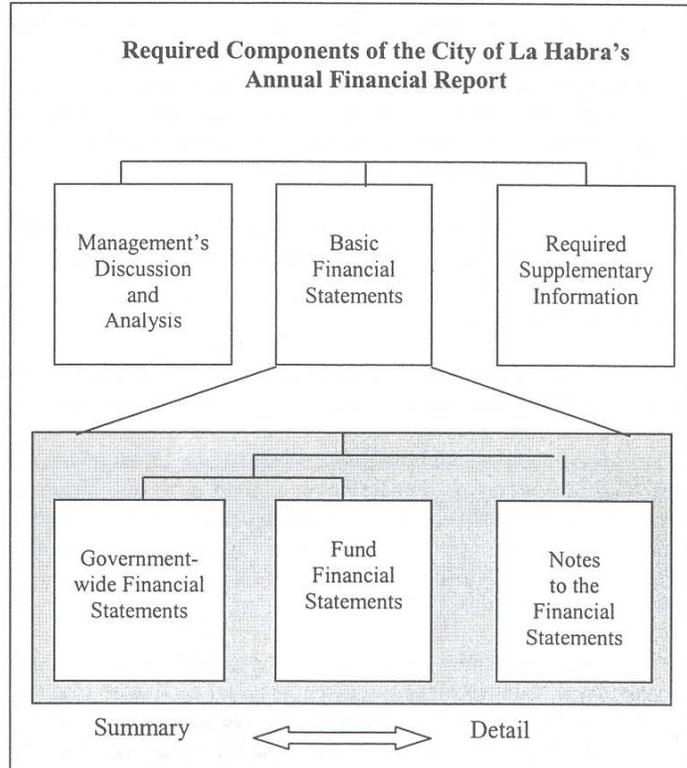
## Management's Discussion and Analysis

In an effort to provide insight and perspective to the City of Habra's ("City") annual financial statements, staff has prepared this management discussion of the financial activities of the City for the fiscal year ended June 30, 2005. The intent of this discussion is to assist the reader to better understand the fiscal condition of the City. Readers are encouraged to consider the information presented here in conjunction with the summary information found in the transmittal letter and the detailed information found in the body of the financial statements.

### Overview of the Financial Statements

This section of the annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual* parts of the City government, reporting the City's operations in *more detail* than the *Government-wide Statements*.
  - The *Governmental Funds Statements* detail how *general government* services such as public safety were financed in the *short term* as well as what remains for future spending.
  - *Proprietary Fund Statements* offer *short- and long-term* financial information about the activities the City operates *like businesses*, such as the water and sewer services.
  - *Fiduciary Fund Statements* provide information about the financial relationships – such as contractor and miscellaneous deposits – in which the City acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide detail about our non-major governmental funds, internal service funds, and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### **Government-wide Financial Statements**

The Government-wide Financial Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes *all* of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide Financial Statements report the City's *net* assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health, or *position*. Over time, increases or decreases in the City's net assets are an indicator of whether the City's financial health is improving or deteriorating, respectively. One needs to consider additional non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall fiscal condition of the City.

The Government-wide Financial Statements of the City are divided into two categories:

- *Governmental activities* – Most of the City's basic services, such as police, fire, public works, community services, community development, and general administration, are included here. Taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and charges for services finance most of these activities.
- *Business-type activities* – The City charges fees to customers to cover the costs of certain services it provides. The City's water, sewer, and Housing Authority services are the primary business-type activities.

### **Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law and bond covenants, while the City establishes other funds to control and manage money for particular purposes (such as the developer impact fee funds) or to show that it is properly using certain taxes and grants (such as the Section 8 Housing Assistance fund).

The City has three kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds. These funds are used to account for (1) *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed *short-term* view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the City's programs. A reconciliation between the long-term and short-term focus of the Government-wide Financial Statements is provided immediately following each statement.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-wide Financial Statements, provide both long- and short-term financial information.
  - There are two types of proprietary funds: *enterprise funds* and *internal service funds*.
  - We use *enterprise funds* to report activities that provide business-type services, generally to external customers – such as water, sewer and trash services. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.
  - We use *internal service funds* to report activities that provide services and supplies for the City's other programs and activities – such as fleet, health insurance, and information technology.

- *Fiduciary funds* – These funds are used to account for situations where the City’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City’s Government-wide Financial Statements because the City cannot use these assets to finance its operations.

**Financial Analysis of the City as a Whole**

**Net Assets**

The City’s *combined* net assets for the fiscal year ended June 30, 2005, as shown below, were \$89,241,153. The capital asset figure for governmental activities does not include all of the City’s infrastructure assets, since the City has not completed its inventory of infrastructure assets. The City implemented GASB 34’s capital asset reporting in FY 02/03. GASB rules allow the City five years from the date of implementation to complete its inventory of capital assets. As of FY 04/05, two years remain for the City to meet full GASB 34 compliance. The City’s net assets increased by \$7,982,712 during FY 04/05.

**TABLE 1  
STATEMENT OF NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	FY 04/05	FY 03/04	FY 04/05	FY 03/04	FY 04/05	FY 03/04
<b><u>ASSETS</u></b>						
Current and Other Assets	40,635,089	43,553,843	22,240,845	24,859,088	62,875,934	68,412,931
Capital Assets	58,178,081	44,269,739	30,535,644	27,395,141	88,713,725	71,664,880
<b>TOTAL ASSETS</b>	<b>98,813,170</b>	<b>87,823,582</b>	<b>52,776,489</b>	<b>52,254,229</b>	<b>151,589,659</b>	<b>140,077,811</b>
<b><u>LIABILITIES</u></b>						
Current Liabilities	11,937,904	8,670,563	2,631,885	2,433,251	14,569,789	11,103,814
Noncurrent Liabilities	21,336,938	20,551,538	26,441,779	27,164,018	47,778,717	47,715,556
<b>TOTAL LIABILITIES</b>	<b>33,274,842</b>	<b>29,222,101</b>	<b>29,073,664</b>	<b>29,597,269</b>	<b>62,348,506</b>	<b>58,819,370</b>
<b><u>NET ASSETS</u></b>						
Invested in Capital Assets, net of related debt	51,744,947	38,141,590	13,069,786	9,357,868	64,814,733	47,499,458
Restricted	2,125,116	2,135,692	-	-	2,125,116	2,135,692
Unrestricted	11,668,265	18,324,199	10,633,039	13,299,092	22,301,304	31,623,291
<b>TOTAL NET ASSETS</b>	<b>65,538,328</b>	<b>58,601,481</b>	<b>23,702,825</b>	<b>22,656,960</b>	<b>89,241,153</b>	<b>81,258,441</b>

As noted earlier, comparing net assets over time may serve as a useful indicator of the City’s financial position. At fiscal year end, the City’s assets exceeded liabilities by \$89.2 million; however, 73% of these net assets represent capital such as land, buildings, machinery, equipment, and infrastructure, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets cannot be easily liquidated and 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 revenue sources since the capital assets themselves usually won’t be used to pay for the associated debt.

In addition, 2.4% (\$2.1 million) of the City’s net assets represent resources that are subject to external restrictions regarding how they may be used. Furthermore, the unrestricted net assets of the City’s business-type activities total \$10.6 million; however, these resources cannot be used to help fund governmental activities. The City can only use these net assets to finance the continuing operations of its enterprises: water, sewer, solid waste, Children’s

Museum, housing authority and mobile home parks. That leaves 25.0%, or a \$22.3 million balance of unrestricted net assets, that can be used to meet the government's ongoing obligations to citizens and creditors.

### **Changes in Net Assets**

The condensed summary of activities, (Table 2 on the following page), shows that net assets increased by \$8.0 million during the year. This increase can be attributed to several factors including actual revenues exceeding projections for the year and actual expenditures less than what was budgeted. This resulted in a \$1.3 million transfer from the General fund to the City's capital project funds for future capital project construction and acquisition. In addition, net assets increased due to the fact that the costs of capital asset acquisitions are capitalized and depreciated over the useful life of the assets under full-accrual accounting, versus being expensed in full in the year of acquisition.

**TABLE 2  
CHANGES IN NET ASSETS**

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	FY 04/05	FY 03/04	FY 04/05	FY 03/04	FY 04/05	FY 03/04
<b><u>Revenues</u></b>						
Program Revenues						
Charges for Services	4,726,490	5,209,216	15,282,538	14,733,742	20,009,028	19,942,958
Operating Grants and Contributions	9,667,385	6,927,062	-	-	9,667,385	6,927,062
Capital Grants and Contributions	2,617,891	3,581,386	-	-	2,617,891	3,581,386
General Revenues						
Property Taxes	11,634,029	7,566,606	-	-	11,634,029	7,566,606
Sales and Use Taxes	8,836,139	8,098,753	-	-	8,836,139	8,098,753
Utility Users Taxes	4,765,367	4,712,780	-	-	4,765,367	4,712,780
Franchise Fees	1,689,369	1,704,822	-	-	1,689,369	1,704,822
Other Taxes	599,921	283,436	-	-	599,921	283,436
Grants & contributions not restricted to specific programs	1,696,647	2,800,517	-	-	1,696,647	2,800,517
Income from Property & Investments	757,030	172,725	346,084	372,693	1,103,114	545,418
Gain on sale of capital assets	-	-	-	-	-	-
Gain on sale of investments	-	-	-	-	-	-
Other general revenue	796,231	1,130,855	-	-	796,231	1,130,855
Miscellaneous	-	-	-	-	-	-
<b>Total Revenues</b>	<b>47,786,499</b>	<b>42,188,158</b>	<b>15,628,622</b>	<b>15,106,435</b>	<b>63,415,121</b>	<b>57,294,593</b>
<b><u>Expenses</u></b>						
General Government	3,740,025	4,908,401	-	-	3,740,025	4,908,401
Intergovernmental	392,850	405,876	-	-	392,850	405,876
Public Safety	19,176,709	17,673,769	-	-	19,176,709	17,673,769
Public Works	5,525,165	5,512,565	-	-	5,525,165	5,512,565
Manpower	411,959	651,364	-	-	411,959	651,364
Community Services	7,149,700	6,949,893	-	-	7,149,700	6,949,893
Community Development	3,401,359	2,813,028	-	-	3,401,359	2,813,028
Interest on Long-Term Debt	975,885	1,229,418	-	-	975,885	1,229,418
Water	-	-	7,198,574	7,242,103	7,198,574	7,242,103
Sewer	-	-	994,576	888,690	994,576	888,690
Housing Authority	-	-	1,701,542	1,676,726	1,701,542	1,676,726
Other business-type activities	-	-	4,764,065	4,988,149	4,764,065	4,988,149
<b>Total Expenses</b>	<b>40,773,652</b>	<b>40,144,314</b>	<b>14,658,757</b>	<b>14,795,668</b>	<b>55,432,409</b>	<b>54,939,982</b>
Excess (Deficiency) before Transfers	7,012,847	2,043,844	969,865	310,767	7,982,712	2,354,611
Transfers	(76,000)	(85,000)	76,000	85,000	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>6,936,847</b>	<b>1,958,844</b>	<b>1,045,865</b>	<b>395,767</b>	<b>7,982,712</b>	<b>2,354,611</b>
<b>Net Assets - Beginning of Year</b>	<b>58,601,481</b>	<b>56,642,637</b>	<b>22,656,960</b>	<b>22,261,193</b>	<b>81,258,441</b>	<b>78,903,830</b>
<b>Net assets - End of year</b>	<b>65,538,328</b>	<b>58,601,481</b>	<b>23,702,825</b>	<b>22,656,960</b>	<b>89,241,153</b>	<b>81,258,441</b>

Approximately 53% of the City's governmental funds revenue is generated through taxes collected (property, sales, utility users, etc.), and almost 98% of the City's business-type revenue is generated through charges for services.

### **Governmental Activities**

The increase in net assets for *governmental* activities was \$6,936,847. This increase was generated by total revenues of *governmental* activities of \$47,786,499 offset by \$40,773,652 in total costs of *governmental* activities, plus \$76,000 transferred out.

Revenues are generated through several sources to cover the cost of the City's programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$4,726,490), grants and contributions from other governments and organizations to subsidize certain programs (\$12,285,276), and taxes and other revenues (such as income from property and investments and Vehicle License Fees) received by the City (\$30,774,773).

### **Business-type Activities**

Business-type activities increased the City's net assets by \$1,045,865 for the current year-end, with total expenses for business-type activities totaling \$14,658,757. The increase in net assets of the business-type activities amounted to an increase of 4.6%, primarily due to increases in net assets of the Water fund of \$424,323 and the Housing Authority of \$415,397.

### **Financial Analysis of the City'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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of FY 04/05, the City's governmental funds reported combined ending fund balances of \$17,756,779 a decrease of \$6,096,673 in comparison to the prior fiscal year. This decrease was due primarily to increased spending on Citywide capital projects. Approximately 64% of this amount (\$11,371,088) constitutes unreserved fund balance, which is available for spending at the government's discretion based on the purpose for which it was received. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for (1) long-term advances (\$2,481,046), (2) land held for resale (\$111,000), (3) to pay debt service (277,900), (4) for low-moderate income housing (\$1,328,519), (5) to liquidate contracts and purchase orders of the prior period (\$2,093,968), (6) for inventories (\$37,339), or (7) for a variety of other restricted grant-related purposes (\$55,919).

The General Fund is the chief operating fund of the City, and at the end of the fiscal year had a total fund balance of \$10,236,147, an increase of \$1,392,688, which is primarily attributed to the VLF gap loan financing completed in March 2005. The unreserved fund balance portion of the General Fund was \$7,717,762.

As for expenditures, departments experienced modest savings from their budgeted allocations. When combined with higher than expected revenues, these savings allowed for a transfer of \$1,299,959 on June 30, 2005 from the General fund to the City's Capital Projects fund.

## **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the Government-wide Financial Statements, but in more detail.

For the fiscal year ended June 30, 2005, the Water fund had a positive change in net assets of \$300,339, the sewer fund had a positive change in net assets of \$32,842, the Refuse fund had a positive change in net assets of \$64,635, the Children's Museum fund had a positive change in net assets of \$79,780, the Mobile Home Lease fund had a positive change in net assets of \$28,888 and the Housing Authority fund had a positive change in net assets of \$415,397. The combined \$10.5 million of unrestricted net assets for these funds will be used as emergency and operating reserves for each respective fund.

## **General Fund Budgetary Highlights**

Management monitors revenues during the year and updates estimated revenue figures when new information is received. Estimated revenues were increased during FY 04/05 due to the following:

- Proceeds derived from the Vehicle License Fee gap loan financing.
- Sales and property tax revenues in excess of budget estimates.
- Higher than expected Vehicle License Fee revenues.

Although the General Fund experienced an increase in revenues above projections, it should be noted that the state withheld approximately \$656,000 from the City as part of the state's VLF loan/backfill plan in addition to the \$1,037,982 they borrowed from the City's VLF funds in FY 02/03. The state promised to pay back this \$1 million loan in August 2006. In an effort to ensure that these funds would be recovered, the City elected to participate in a statewide financing program that issued short-term debt against the State's promise to repay the borrowed funds. In March 2005, the receivable financing was completed which resulted in the City receiving a majority of what was owed by the State. The pre-funded interest expense and issuance cost of the financing was \$87,595. In order to help offset a portion of these costs, the City invested the proceeds from the financing to August 2006, which resulted in \$50,160 of interest earnings. This strategy lowered the net cost of the financing to \$37,435. Although the state had planned to repay the borrowed VLF funds in August 2006, they opted to repay the debt early, in September 2005. As a result, the financing authority was able to repay the receivable note earlier than anticipated, which resulted in a \$51,799 refund of prepaid interest expense to the City. This refund, when added to the net proceeds of the financing and the investment earnings detailed above, resulted in a total VLF loan repayment of \$1,052,256 or \$14,363 more than what was originally borrowed by the state.

In addition to unanticipated revenue growth, actual expenditures during the fiscal year were \$566,594 less than budgeted prior to operating transfers, due predominantly to delays in the establishment of an expanded ambulance transportation program and due to a number of vacant staff positions.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At the end of FY 04/05, the City had recorded an investment of over \$130 million (prior to depreciation) in a broad range of capital assets, including park facilities, land, buildings, roads, bridges, water and sewer lines, police and fire vehicles, and other maintenance equipment. This number does not include some infrastructure assets, as the City has not yet fully completed its asset inventory. The City implemented GASB 34's capital asset reporting in FY 02/03, however GASB rules allow the City five years from the date of implementation to complete its inventory of capital assets. As of FY 04/05, two years remain for the City to meet full GASB 34 compliance. The City's current listing of infrastructure will remain incomplete until such time as the full inventory and accounting are finalized.

**TABLE 3**  
**CAPITAL ASSETS AT YEAR END**  
**(NET OF DEPRECIATION IN MILLIONS)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	FY 04/05	FY 03/04	FY 04/05	FY 03/04	FY 04/05	FY 03/04
Land	7,668,318	7,668,318	12,800,000	12,800,000	20,468,318	20,468,318
Land improvements	1,141,458	-	-	-	1,141,458	-
Buildings and improvements	11,022,232	10,458,329	5,141,477	5,141,477	16,163,709	15,599,806
Improvements other than buildings	1,133,296	880,593	245,163	245,163	1,378,459	1,125,756
Machinery and equipment	5,648,138	3,336,427	375,669	289,238	6,023,807	3,625,665
Autos and trucks	4,208,713	3,856,098	26,937	-	4,235,650	3,856,098
Infrastructure	43,982,949	36,550,626	27,997,409	25,657,411	71,980,358	62,208,037
Construction in progress	7,202,668	3,859,447	1,752,707	359,688	8,955,375	4,219,135
(Less accumulated depreciation)	(23,829,691)	(22,340,099)	(17,803,718)	(17,097,836)	(41,633,409)	(39,437,935)
<b>TOTALS</b>	<b>58,178,081</b>	<b>44,269,739</b>	<b>30,535,644</b>	<b>27,395,141</b>	<b>88,713,725</b>	<b>71,664,880</b>

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

**Long-Term Debt**

At year-end, the City had \$49,422,001 in bonds, certificates of deposit, loans, leases, and accrued assessments payable, a decrease of \$127,669 from last year, as shown in the table below. More detail about the City's long-term liabilities is presented in Note 4 to the financial statements.

**TABLE 4**  
**OUTSTANDING DEBT AT YEAR-END**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	FY 04/05	FY 03/04	FY 04/05	FY 03/04	FY 04/05	FY 03/04
Certificates of Participation	5,586,192	5,783,931	19,086,779	19,664,018	24,672,971	25,447,949
Tax Allocation Bonds	7,550,000	7,655,000	-	-	7,550,000	7,655,000
Special Tax Bonds	2,695,000	2,810,000	-	-	2,695,000	2,810,000
Notes Payable	724,036	1,762,348	-	-	724,036	1,762,348
Loan Payable	1,080,000	-	-	-	1,080,000	-
Contract and Leases Payable	1,236,783	172,109	-	-	1,236,783	172,109
Compensated Absences	4,108,211	3,946,916	-	-	4,108,211	3,946,916
Revenue Bond	-	-	7,355,000	7,500,000	7,355,000	7,500,000
<b>TOTALS</b>	<b>22,980,222</b>	<b>22,130,304</b>	<b>26,441,779</b>	<b>27,164,018</b>	<b>49,422,001</b>	<b>49,294,322</b>

### **Economic Factors and Next Year's Budgets and Rates**

- The City's FY 04/05 net taxable property values totaled \$3,599,257,892, approximately 30% more than five years ago.
- The approval of Proposition 1A in November 2004 effectively restricted the state's ability to arbitrarily take or borrow funds from cities in the future. As a result, the City's ability to plan future budgets and capital needs have been significantly improved.
- FY 05/06 PERS rates for the miscellaneous plan have increased from 6.68% to 11.80%, and have decreased from 23.82% to 23.52% for the safety plan.
- FY 06/07 PERS rates for the miscellaneous plan will decrease from 11.80% to 10.92%, and rates for public safety will decrease from 23.52% to 22.46%.
- The Consumer Price Index (CPI) for the Los Angeles/Riverside/Orange County Metropolitan Statistical Area for all urban consumers increased by 3.6% from June 2004 to June 2005, impacting the City's budgeted expenditures for the fiscal year.

These, among other factors, were considered in preparing the City of La Habra's General Fund budget for FY 05/06. Budgeted expenditures were programmed to increase by 4.3% to \$31.7 million. The increase is mainly due to inflationary pressure on operational costs, increased pension costs, increased workers compensation liability, and growing NPDES costs.

The City's business-type activities reflect the following:

- It is anticipated that enterprise fund rate increases may be necessary over the course of the fiscal year to maintain sufficient cash flow for those operations.
- Other changes in the Enterprise funds are the result of normal fluctuations in operations.

### **Contacting the City's Department of Finance and Administrative Services**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Department of Finance, 201 E. La Habra Boulevard, La Habra, CA 90631. The Finance Department can also be reached at (562) 905-9729, or visit us online at [www.ci.la-habra.ca.us](http://www.ci.la-habra.ca.us).

City of La Habra, California

Statement of Net Assets  
June 30, 2005

Assets	Governmental Activities	Business-type Activities	Total
Cash and Investments	\$ 25,305,896	\$ 10,243,998	\$ 35,549,894
Accounts Receivables, net	4,142,334	1,402,424	5,544,758
Prepaid Items	-	21,536	21,536
Cash and Investments with Fiscal Agents	4,925,928	6,759,738	11,685,666
Due from Other Governments	5,358,405	264,229	5,622,634
Internal Balances	29,475	(29,475)	-
Inventories	38,978	1,838	40,816
Deferred Charges	723,073	2,680,521	3,403,594
Land Held for Resale	111,000	-	111,000
Investment in Water Rights Stock	-	896,036	896,036
	<u>40,635,089</u>	<u>22,240,845</u>	<u>62,875,934</u>
Capital Assets			
Land	7,668,318	12,800,000	20,468,318
Land Improvements	1,141,458	-	1,141,458
Buildings and improvements	11,022,232	5,141,477	16,163,709
Improvements other than buildings	1,133,296	245,163	1,378,459
Machinery and equipment	5,648,138	375,669	6,023,807
Autos and trucks	4,208,713	26,937	4,235,650
Infrastructure	43,982,949	27,997,409	71,980,358
Construction in progress	7,202,668	1,752,706	8,955,374
	<u>82,007,772</u>	<u>48,339,361</u>	<u>130,347,133</u>
Less accumulated depreciation	(23,829,691)	(17,803,717)	(41,633,408)
<b>Total capital assets (net of accumulated depreciation)</b>	<u>58,178,081</u>	<u>30,535,644</u>	<u>88,713,725</u>
<b>Total assets</b>	<u>\$ 98,813,170</u>	<u>\$ 52,776,489</u>	<u>\$ 151,589,659</u>
<b>Liabilities</b>			
Accounts Payable	\$ 6,062,446	\$ 2,148,320	\$ 8,210,766
Accrued Liabilities	3,813,701	96,088	3,909,789
Accrued Interest	323,565	387,477	711,042
Compensated Absences	1,643,284	-	1,643,284
Deferred Revenue	94,908	-	94,908
Noncurrent Liabilities			
Due within one year	535,308	802,239	1,337,547
Due in more than one year	20,801,630	25,639,540	46,441,170
<b>Total liabilities</b>	<u>33,274,842</u>	<u>29,073,664</u>	<u>62,348,506</u>
Invested in Capital Assets, net of related debt	51,744,947	13,069,786	64,814,733
Restricted for:			
Community development	1,536,003	-	1,536,003
Public safety	589,113	-	589,113
Unrestricted	11,668,265	10,633,039	22,301,304
<b>Total net assets</b>	<u>\$ 65,538,328</u>	<u>\$ 23,702,825</u>	<u>\$ 89,241,153</u>

See Notes to Financial Statements.

City of La Habra, California

Statement of Activities  
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution
<b>Governmental Activities:</b>				
General government	\$ 3,740,025	\$ 3,668	\$ 220,233	\$ -
Intergovernmental	392,850	-	-	-
Public safety	19,176,709	2,674,842	915,723	-
Public works	5,525,165	-	-	2,345,083
Manpower	411,959	-	411,959	-
Community services	7,149,700	1,086,984	4,796,133	916
Community development	3,401,359	960,996	3,323,337	271,892
Interest on long-term debt	975,885	-	-	-
<b>Total government activities</b>	<b>40,773,652</b>	<b>4,726,490</b>	<b>9,667,385</b>	<b>2,617,891</b>
<b>Business-type Activities:</b>				
Water	7,198,574	7,517,970	-	-
Sewer	994,576	914,135	-	-
Housing Authority	1,701,542	1,957,341	-	-
Other business-type activities	4,764,065	4,893,092	-	-
<b>Total business-type activities</b>	<b>14,658,757</b>	<b>15,282,538</b>	<b>-</b>	<b>-</b>

General revenues:

Taxes:

Property taxes

Sales and use taxes

Utility Users Tax

Franchise fees

Other taxes

Grants and contributions not restricted to specific programs

Income from property and investments

Other general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See Notes to Financial Statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,516,124)	\$ -	\$ (3,516,124)
(392,850)	-	(392,850)
(15,586,144)	-	(15,586,144)
(3,180,082)	-	(3,180,082)
-	-	-
(1,265,667)	-	(1,265,667)
1,154,866	-	1,154,866
(975,885)	-	(975,885)
<u>(23,761,886)</u>	<u>-</u>	<u>(23,761,886)</u>
-	319,396	319,396
-	(80,441)	(80,441)
-	255,799	255,799
-	129,027	129,027
<u>-</u>	<u>623,781</u>	<u>623,781</u>
11,634,029	-	11,634,029
8,836,139	-	8,836,139
4,765,367	-	4,765,367
1,689,369	-	1,689,369
599,921	-	599,921
1,696,647	-	1,696,647
757,030	346,084	1,103,114
796,231	-	796,231
(76,000)	76,000	-
<u>30,698,733</u>	<u>422,084</u>	<u>31,120,817</u>
6,936,847	1,045,865	7,982,712
58,601,481	22,656,960	81,258,441
<u>\$ 65,538,328</u>	<u>\$ 23,702,825</u>	<u>\$ 89,241,153</u>

City of La Habra, California

Balance Sheet—Governmental Funds  
June 30, 2005

Assets	Major Funds				Total Governmental Funds
	General	Redevelopment Capital Projects	Other Capital Projects	Other Nonmajor Funds	
<b>Assets</b>					
Cash and investments	\$ 5,739,025	\$ -	\$ 8,792,294	\$ 4,175,536	\$ 18,706,855
Cash and investments with fiscal agents	-	4,157,685	-	282,557	4,440,242
Receivables	3,450,232	16,322	309,153	366,627	4,142,334
Due from other funds	2,424,307	147,917	-	-	2,572,224
Due from other governments	136,995	-	2,081,351	3,130,474	5,348,820
Advances to other funds	8,106,046	-	-	-	8,106,046
Land held for resale	-	-	-	111,000	111,000
Inventories	37,339	-	-	-	37,339
<b>Total assets</b>	<b>\$ 19,893,944</b>	<b>\$ 4,321,924</b>	<b>\$ 11,182,798</b>	<b>\$ 8,066,194</b>	<b>\$ 43,464,860</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,613,659	\$ 617,926	\$ 1,739,189	\$ 1,699,508	\$ 5,670,282
Accrued liabilities	1,375,379	581	7,614	243,027	1,626,601
Due to other funds	147,917	20,128	-	2,092,479	2,260,524
Advances from other funds	5,625,000	8,697,260	-	-	14,322,260
Deferred revenue	895,842	-	-	932,572	1,828,414
<b>Total liabilities</b>	<b>9,657,797</b>	<b>9,335,895</b>	<b>1,746,803</b>	<b>4,967,586</b>	<b>25,708,081</b>
<b>Fund Balances</b>					
Reserved:					
Long-term advances	2,481,046	-	-	-	2,481,046
Land held for resale	-	-	-	111,000	111,000
Debt service	-	-	-	277,900	277,900
Low-moderate income housing	-	-	-	1,328,519	1,328,519
Encumbrances	-	-	1,262,808	831,160	2,093,968
Inventories	37,339	-	-	-	37,339
Unreserved designated—operating reserve	1,392,687	-	-	-	1,392,687
Unreserved undesignated, reported in:					
General Fund	6,325,075	-	-	-	6,325,075
Special Revenue Funds	-	-	-	728,328	728,328
Debt Service Funds	-	-	-	(178,299)	(178,299)
Capital Projects Funds	-	(5,013,971)	8,173,187	-	3,159,216
<b>Total fund balances (deficits)</b>	<b>10,236,147</b>	<b>(5,013,971)</b>	<b>9,435,995</b>	<b>3,098,608</b>	<b>17,756,779</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,893,944</b>	<b>\$ 4,321,924</b>	<b>\$ 11,182,798</b>	<b>\$ 8,066,194</b>	<b>\$ 43,464,860</b>

See Notes to Financial Statements.

City of La Habra, California

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2005

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Total fund balances, governmental funds		\$ 17,756,779
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 75,266,439	
Accumulated depreciation	<u>(18,701,053)</u>	56,565,386

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds, other than certain assets and liabilities of the Civic Improvement Authority which are business-activity related, are included in governmental activities in the statement of net assets.

Current assets	6,608,626	
Restricted noncurrent assets	485,686	
Advances to other funds	5,933,989	
Noncurrent assets	724,712	
Capital assets, cost	6,741,333	
Capital assets, accumulated depreciation	(5,128,638)	
Accounts payable and accrued liabilities	(4,324,521)	
Noncurrent liabilities:		
Due within one year	(223,092)	
Due in more than one year	<u>(5,378,451)</u>	5,439,644

Accrued interest on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds.	(221,592)
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Other long-term assets are not available to pay current period expenditures are deferred in the funds.	1,733,506
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Due within one year	312,216	
Due in more than one year	<u>15,423,179</u>	<u>(15,735,395)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 65,538,328</u></u>

See Notes to Financial Statements.

City of La Habra, California

Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds  
Year Ended June 30, 2005

	Major Funds				Total Governmental Funds
	General	Redevelopment Capital Projects	Other Capital Projects	Other Nonmajor Funds	
Revenues:					
Property taxes and special assessments	\$ 9,635,031	\$ -	\$ -	\$ 1,998,998	\$ 11,634,029
Sales and use tax	8,580,008	-	-	-	8,580,008
Utility users tax	4,765,367	-	-	-	4,765,367
Intergovernmental	1,696,647	-	2,101,894	10,141,018	13,939,559
Licenses and permits	2,609,181	-	-	-	2,609,181
Charges for services	4,070,081	41,429	-	-	4,111,510
Fines, forfeitures and penalties	624,665	-	-	-	624,665
Use of money and property	555,489	110,273	251,349	283,909	1,201,020
<b>Total revenues</b>	<b>32,536,469</b>	<b>151,702</b>	<b>2,353,243</b>	<b>12,423,925</b>	<b>47,465,339</b>
Expenditures:					
Current:					
General government	3,589,436	-	-	205,018	3,794,454
Intergovernmental	-	-	-	392,850	392,850
Public safety	18,055,069	-	-	953,534	19,008,603
Public works	4,261,413	-	-	87,039	4,348,452
Manpower	-	-	-	411,959	411,959
Community services	2,538,512	-	-	4,467,969	7,006,481
Community development	1,161,586	822,643	594,401	785,068	3,363,698
Capital outlay	26,556	1,615,169	7,987,430	5,450,003	15,079,158
Debt service:					
Principal	16,604	298,983	-	253,380	568,967
Interest expense	28,558	279,570	-	621,382	929,510
<b>Total expenditures</b>	<b>29,677,734</b>	<b>3,016,365</b>	<b>8,581,831</b>	<b>13,628,202</b>	<b>54,904,132</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,858,735</b>	<b>(2,864,663)</b>	<b>(6,228,588)</b>	<b>(1,204,277)</b>	<b>(7,438,793)</b>
Other financing sources (uses):					
Proceeds from note payable	-	-	1,608,437	-	1,608,437
Transfers:					
From other funds	-	443,805	1,299,959	73,778	1,817,542
(To) other funds	(1,466,047)	-	(15,777)	(602,035)	(2,083,859)
<b>Total other financing sources (uses)</b>	<b>(1,466,047)</b>	<b>443,805</b>	<b>2,892,619</b>	<b>(528,257)</b>	<b>1,342,120</b>
<b>Net change in fund balances</b>	<b>1,392,688</b>	<b>(2,420,858)</b>	<b>(3,335,969)</b>	<b>(1,732,534)</b>	<b>(6,096,673)</b>
Fund balance, beginning	8,843,459	(2,593,113)	12,771,964	4,831,142	23,853,452
Fund balance, ending	\$ 10,236,147	\$ (5,013,971)	\$ 9,435,995	\$ 3,098,608	\$ 17,756,779

See Notes to Financial Statements.

City of La Habra, California

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2005

Net changes in fund balances—total governmental funds		\$ (6,096,673)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		15,027,383
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(1,484,542)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Proceeds from note payable	\$ (1,608,437)	
Principal payments	568,967	
Other	(3,651)	
Compensated absences	<u>(96,776)</u>	(1,139,897)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(42,724)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net expense of the internal service funds is reported with governmental activities.</p>		
Depreciation	(337,244)	
Other	<u>689,384</u>	352,140
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>321,160</u>
<b>Change in net assets of governmental activities</b>		<u><u>\$ 6,936,847</u></u>

See Notes to Financial Statements.

City of La Habra, California

Statement of Net Assets—Proprietary Funds  
June 30, 2005

Assets	Business-type Activities—Enterprise Funds			
	Major Funds			Other
	Water	Sewer	Housing Authority	Nonmajor Funds
<b>Current Assets</b>				
Cash and investments	\$ 1,401,738	\$ 5,617,432	\$ 1,845,153	\$ 1,323,869
Accounts receivable, net	955,822	109,522	5,657	331,423
Prepaid items	-	-	-	21,536
Due from other funds	5,271,514	-	-	-
Due from other governments	-	204,031	-	60,198
Advances to other funds	-	-	2,000,000	-
Inventory	1,838	-	-	-
<b>Total current assets</b>	<b>7,630,912</b>	<b>5,930,985</b>	<b>3,850,810</b>	<b>1,737,026</b>
<b>Noncurrent Assets</b>				
Cash and investments with fiscal agents	-	-	\$ 1,620,921	-
Deferred charges	-	-	2,420,855	-
Investment in water rights stock	896,036	-	-	-
Capital assets, net of accumulated depreciation	9,913,947	3,870,772	14,632,374	2,118,551
<b>Total noncurrent assets</b>	<b>10,809,983</b>	<b>3,870,772</b>	<b>18,674,150</b>	<b>2,118,551</b>
<b>Total assets</b>	<b>\$ 18,440,895</b>	<b>\$ 9,801,757</b>	<b>\$ 22,524,960</b>	<b>\$ 3,855,577</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 1,135,274	\$ 379,257	\$ 13,756	\$ 620,033
Accrued liabilities	49,503	15,831	3,306	27,448
Accrued interest	-	-	328,686	-
Advances from other funds	7,355,000	-	-	2,000,000
Capital lease obligations, current	-	-	-	-
Certificates of participation, current	-	-	660,000	-
Compensated absences	-	-	-	-
Due to other funds	-	-	-	29,475
Water revenue bond, current	-	-	-	-
<b>Total current liabilities</b>	<b>8,539,777</b>	<b>395,088</b>	<b>1,005,748</b>	<b>2,676,956</b>
<b>Noncurrent Liabilities</b>				
Certificates of participation	-	-	18,426,779	-
Water revenue bond	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>18,426,779</b>	<b>-</b>
<b>Total liabilities</b>	<b>8,539,777</b>	<b>395,088</b>	<b>19,432,527</b>	<b>2,676,956</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	9,913,947	3,870,772	(2,833,484)	2,118,551
Unrestricted (deficit)	(12,829)	5,535,897	5,925,917	(939,930)
<b>Total net assets</b>	<b>\$ 9,901,118</b>	<b>\$ 9,406,669</b>	<b>\$ 3,092,433</b>	<b>\$ 1,178,621</b>

See Notes to Financial Statements.

		Governmental Activities— Internal Service	
Totals		Funds	
\$	10,188,192	\$	6,654,847
	1,402,424		-
	21,536		-
	5,271,514		-
	264,229		9,585
	2,000,000		13,571,214
	1,838		1,639
	<u>19,149,733</u>		<u>20,237,285</u>
	1,620,921		5,624,503
	2,420,855		982,739
	896,036		-
	<u>30,535,644</u>		<u>1,612,695</u>
	<u>35,473,456</u>		<u>8,219,937</u>
\$	<u>54,623,189</u>	\$	<u>28,457,222</u>
<hr/>			
\$	2,148,320	\$	392,164
	96,088		2,187,100
	328,686		160,764
	9,355,000		-
	-		15,352
	660,000		207,740
	-		1,643,284
	29,475		5,553,739
	-		150,000
	<u>12,617,569</u>		<u>10,310,143</u>
	18,426,779		5,378,451
	-		7,205,000
	<u>18,426,779</u>		<u>12,583,451</u>
	<u>31,044,348</u>		<u>22,893,594</u>
	13,069,786		1,597,343
	10,509,055		3,966,285
\$	<u>23,578,841</u>	\$	<u>5,563,628</u>

City of La Habra, California

Statement of Revenues, Expenses and Changes in Fund Net Assets—Proprietary Funds  
Year Ended June 30, 2005

	Business-type Activities—Enterprise Funds			
	Major Funds			Other
	Water	Sewer	Housing Authority	Nonmajor Funds
<b>Operating revenues:</b>				
Water sales	\$ 7,306,609	\$ -	\$ -	\$ -
Refuse billings	-	-	-	2,145,009
Charges for services	211,361	710,104	1,897,341	2,611,366
Intergovernmental	-	204,031	60,000	136,717
<b>Total operating revenues</b>	<b>7,517,970</b>	<b>914,135</b>	<b>1,957,341</b>	<b>4,893,092</b>
<b>Operating expenses:</b>				
Water and materials	3,550,379	-	-	-
Contractual services	115,713	372,846	225,979	2,494,827
Wages and fringe benefits	893,388	245,960	59,021	378,915
Benefits and claims	-	-	-	-
Compensated absences	-	-	-	-
Equipment and maintenance	134,929	9,717	-	5,988
Materials and supplies	115,134	1,843	383	40,963
Utilities	405,356	-	-	26,668
Depreciation and amortization	296,257	161,573	350,314	42,981
Capital outlay	-	-	-	-
Administration	1,489,158	202,637	176,031	1,745,287
<b>Total operating expenses</b>	<b>7,000,314</b>	<b>994,576</b>	<b>811,728</b>	<b>4,735,629</b>
<b>Operating income (loss)</b>	<b>517,656</b>	<b>(80,441)</b>	<b>1,145,613</b>	<b>157,463</b>
<b>Nonoperating revenues (expenses):</b>				
Interest income	13,622	161,326	170,373	763
Gain on sale of equipment	-	-	-	-
Gain (loss) on sale of investment	(4,595)	(14,961)	(10,775)	4,830
Interest (expense)	-	-	(889,814)	(2,935)
<b>Total nonoperating revenues (expenses)</b>	<b>9,027</b>	<b>146,365</b>	<b>(730,216)</b>	<b>2,658</b>
<b>Income (loss) before transfers</b>	<b>526,683</b>	<b>65,924</b>	<b>415,397</b>	<b>160,121</b>
Transfers in	101,300	-	-	85,000
Transfers out	(327,644)	(33,082)	-	(71,818)
<b>Change in net assets</b>	<b>300,339</b>	<b>32,842</b>	<b>415,397</b>	<b>173,303</b>
Total net assets, beginning	9,600,779	9,373,827	2,677,036	1,005,318
Total net assets, end	\$ 9,901,118	\$ 9,406,669	\$ 3,092,433	\$ 1,178,621

See Notes to Financial Statements.

	Totals	Governmental Activities— Internal Service Funds
\$	7,306,609	\$ -
	2,145,009	-
	5,430,172	3,815,906
	400,748	-
	<u>15,282,538</u>	<u>3,815,906</u>
	3,550,379	-
	3,209,365	352,056
	1,577,284	750,848
	-	989,771
	-	64,518
	150,634	87,734
	158,323	419,355
	432,024	220,201
	851,125	388,541
	-	27,540
	3,613,113	577,171
	<u>13,542,247</u>	<u>3,877,735</u>
	<u>1,740,291</u>	<u>(61,829)</u>
	346,084	633,331
	-	20,493
	(25,501)	(20,609)
	<u>(892,749)</u>	<u>(607,823)</u>
	<u>(572,166)</u>	<u>25,392</u>
	1,168,125	(36,437)
	186,300	512,561
	<u>(432,544)</u>	-
	921,881	476,124
	22,656,960	5,087,504
\$	<u><u>23,578,841</u></u>	<u><u>\$ 5,563,628</u></u>

City of La Habra

Statement of Cash Flows—Proprietary Funds  
Year Ended June 30, 2005

	Business-type Activities—Enterprise Funds		
	Major Funds		
	Water	Sewer	Housing Authority
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 7,489,940	\$ 699,953	\$ 411,899
Receipts from interfund services provided	-	-	1,536,420
Payments to suppliers	(4,332,853)	(93,698)	(232,886)
Cash paid for interfund services provided	(1,332,462)	(180,936)	(26,292)
Payments to employees	(887,375)	(240,230)	(60,762)
<b>Net cash provided by (used in) operating activities</b>	<b>937,250</b>	<b>185,089</b>	<b>1,628,379</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers to other funds	(327,644)	(33,082)	-
Transfers from other funds	101,300	-	-
Advances to other funds	-	-	(2,000,000)
Due from other funds	(5,271,514)	-	-
Due to other funds	-	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(5,497,858)</b>	<b>(33,082)</b>	<b>(2,000,000)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchases of capital assets	(2,032,179)	(615,888)	-
Proceeds from capital debt	7,355,000	-	-
Principal paid on capital debt	-	-	(718,260)
Interest paid on capital debt	-	-	(889,814)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>5,322,821</b>	<b>(615,888)</b>	<b>(1,608,074)</b>
<b>Cash Flows from Investing Activities</b>			
(Purchase) sale of short-term investments	(9,995)	(14,961)	(4,951)
Interest on investments	13,622	161,326	170,373
<b>Net cash provided by investing activities</b>	<b>3,627</b>	<b>146,365</b>	<b>165,422</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>765,840</b>	<b>(317,516)</b>	<b>(1,814,273)</b>
Cash and Cash Equivalents, beginning of year	635,898	5,934,948	3,659,426
Cash and Cash Equivalents, end of year	<b>\$ 1,401,738</b>	<b>\$ 5,617,432</b>	<b>\$ 1,845,153</b>

See Notes to Financial Statements.

Business-type Activities— Enterprise Funds		Governmental and Business-type Activities—Internal Service Funds
Other Nonmajor Funds	Totals	
\$ 4,706,779	\$ 13,308,571	\$ 20,493
102,516	1,638,936	3,815,905
(4,301,937)	(8,961,374)	(2,078,845)
(371,955)	(1,911,645)	(34,814)
(285,212)	(1,473,579)	(724,903)
(149,809)	2,600,909	997,836
(71,818)	(432,544)	-
85,000	186,300	512,561
-	(2,000,000)	(7,155,000)
-	(5,271,514)	-
1,963,579	1,963,579	5,261,342
1,976,761	(5,554,179)	(1,381,097)
(1,202,541)	(3,850,608)	(702,745)
-	7,355,000	-
-	(718,260)	(499,497)
(2,935)	(892,749)	(607,823)
(1,205,476)	1,893,383	(1,810,065)
4,830	(25,077)	2,073,015
763	346,084	633,331
5,593	321,007	2,706,346
627,069	(738,880)	513,020
696,800	10,927,072	6,141,827
\$ 1,323,869	\$ 10,188,192	\$ 6,654,847

City of La Habra

Statement of Cash Flows—Proprietary Funds, Continued  
Year Ended June 30, 2005

	Business-type Activities—Enterprise Funds		
	Major Funds		
	Water	Sewer	Housing Authority
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in)			
Operating Activities			
Operating income (loss)	\$ 517,656	\$ (80,441)	\$ 1,145,613
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	296,257	161,573	350,314
Loss on sale of assets	-	-	-
Change in assets and liabilities:			
(Increase) in receivables	(28,030)	(214,183)	(4,422)
Decrease in inventory	2,982	-	-
Decrease in deferred charges	-	-	141,020
(Increase) decrease in prepaid items	-	-	-
Increase (decrease) in accrued liabilities and accounts payable	148,385	318,140	(4,146)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 937,250</b>	<b>\$ 185,089</b>	<b>\$ 1,628,379</b>

See Notes to Financial Statements.

Business-type Activities— Enterprise Funds		Governmental and Business-type Activities—Internal Service Funds
Other Nonmajor Funds	Totals	
\$ 157,463	\$ 1,740,291	\$ (61,829)
42,981	851,125	388,541
-	-	20,493
(83,797)	(330,432)	(9,585)
-	2,982	62
-	141,020	-
(3,110)	(3,110)	77,576
(263,346)	199,033	582,578
<u>\$ (149,809)</u>	<u>\$ 2,600,909</u>	<u>\$ 997,836</u>

City of La Habra, California

Statement of Fiduciary Assets and Liabilities—Agency Fund—Public Deposits  
June 30, 2005

**Assets**

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Cash and Investments	\$ 9,037,429
<b>Total assets</b>	<b><u>\$ 9,037,429</u></b>

**Liabilities**

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Accounts Payable	\$ 421,551
Accrued Liabilities	17,482
Deposits	<u>8,598,396</u>
<b>Total liabilities</b>	<b><u>\$ 9,037,429</u></b>

See Notes to Financial Statements.

**Note 1. Nature of Business and Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies employed in the preparation of these financial statements.

**Reporting entity:** The City of La Habra, California, (the City) was incorporated in 1925 under the general laws of the State of California. The City operates under an elected Council/City Manager form of government. The City's major operations include police and fire protection, public works, parks, recreation and certain social services and general administration services. In addition, the City operates three major enterprise activities, including water, sewer and refuse, and recreation services.

Accounting principles generally accepted in the United States of America require that these financial statements represent the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational significance or financial relationships with the City. These component units are controlled by common governing boards and are presented as blended component units for financial reporting purposes as follows:

The Redevelopment Agency of the City of La Habra (the Agency) was established in September 1975 pursuant to the State of California Health and Safety Code, Section 33000, entitled *Community Redevelopment Law*. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas within the City. Separately issued financial statements for the Agency may be obtained through written request to the City Department of Finance. All component units included in the reporting entity report their financial information on a fiscal year ending June 30.

The La Habra Civic Improvement Authority (the Authority) was formed by a joint exercise of powers agreement between the City and the Agency in September 1982. The purpose of the agreement is to provide a single public agency to acquire property for both the City and the Redevelopment Agency.

The City of La Habra Housing Authority (the Housing Authority) was formed on September 23, 1992 by resolution of the City Council. The purpose of the Housing Authority is to assist the City in financing the acquisition and construction of low- and moderate-income housing projects within the City.

The Community Facilities District (the District) was set up to acquire real property and construct a public parking facility. The facility was paid for by the Agency from proceeds received from special tax bonds, which will be paid back from levies on taxable real property within the District.

**Government-wide and fund financial statements:** The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City and its blended 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 user 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 to 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are reported as general revenues.

**Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

**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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources, such as taxes, are reported as general revenues rather than as program revenues.

Net assets are reported as restricted when constraints placed on their use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through local enabling legislation. 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.

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 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 under accrual accounting. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes, franchise taxes, vehicle license fees, highway users tax, interest, and some state and federal grants.

Real property taxes are levied for the period beginning on July 1 to June 30 against property owners of record on January 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year in the fund financial statements.

**Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued**

During the year ended June 30, 1995, the City began to participate in a program called the "Teeter Plan," whereby the County distributes 100% of the City's portion of the secured tax levy during each fiscal year. In exchange, the City waives the right to collect interest and penalties on any delinquent tax collections received by the County on the secured rolls in future years.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 City's 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 on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City's fiduciary fund types are agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Vehicle license fee:** In June 2003 the State raised the Vehicle License Fee (VLF) rate from 0.65% to 2.0% so that they could halt the statutorily required VLF backfill to local agencies that had been in place since 1999. Although the increase in the VLF rate would have generated sufficient new revenues to offset the loss of the backfill, there were delays between the cessation of the State's backfill and the implementation of the new tax rate. As a result, local agencies statewide lost approximately \$1.3 billion in VLF revenues with the City of La Habra losing \$1,037,583. The rate increase was extremely unpopular with the voters, who responded by recalling Governor Davis and installing Arnold Schwarzenegger as his replacement. One of the first acts of the new governor was to repeal the VLF rate increase and restore State funding of the VLF backfill to local agencies.

The State recognized the problem of the lost VLF backfill and agreed to repay local governments in August 2006 for this de facto \$1.3 billion "loan." To alleviate the immediate budget impact this backfill gap created for local governments, the League of California Cities and the California State Association of Counties sponsored legislation (SB 1096) that allowed local agencies to finance their VLF receivables. The City Council, concerned over the State's financial outlook and ability or willingness to repay the VLF gap loan, joined 145 other cities and counties and approved participation in the statewide VLF gap loan financing. To secure repayment of the gap loan financing, local jurisdictions were required to pledge the State's future repayment of the VLF gap loan. The financing settled in March 2005, at which time the City received \$950,297 with the difference of \$87,595 accounting for the costs of issuance and pre-funded interest payments to the note holders. The cost of this financing was offset by the City's decision to invest the net proceeds through August 2006. In addition, the state repaid the VLF gap loan to local jurisdictions earlier than anticipated, which triggered an early repayment of the note financing. This resulted in a refund to the City of \$51,799 of prepaid interest. The net effect of the City's participation in this financing was a full recovery of the \$1,037,583 owed by the state recorded as VLF revenue in the year ended June 30, 2005 and \$14,363 of additional revenues due to investment earnings.

**Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued**

**Governmental fund types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used, current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the City's major governmental funds:

**General Fund:** The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments; street and highway maintenance, public safety, parks, cemetery, library and recreation programs are accounted for in this fund.

**Redevelopment Capital Projects Fund:** Redevelopment Capital Projects Funds are used to account for the financial resources to be used for improvement and rehabilitation of the community redevelopment project areas. Financing is provided by tax allocation bonds, real estate installment notes and advances made by the City to the Redevelopment Agency. Construction and/or plans for future construction involve nine redevelopment areas.

**Other Capital Projects Fund:** The Other Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds, Special Assessment Funds or Trust Funds.

**Proprietary Fund types:** Proprietary Funds distinguish operating revenues and expenses from nonoperating 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 City's proprietary funds are charges to customers for sales and services. The City also recognizes as operating revenue for new account charges, late fees and contributions from other agencies. Operating expenses for enterprise and internal service funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow the standards set by the GASB as opposed to subsequently issued private-sector guidance. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The City reports the following major enterprise funds:

The **Water Fund** accounts for activities associated with the distribution and transmission of potable water to users.

The **Sewer Fund** accounts for all revenue and expenses of the sanitary sewer system. This enterprise activity, including maintenance, replacement and improvement capital projects, serves all residents of the City.

**Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued**

The **Housing Authority Fund** accounts for all revenue and expenses relating to the Housing Authority's activities.

Additionally, the City reports the following fund types:

The **Internal Service funds** account for financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The following funds are included in this fund type:

The **Fleet Management Fund** accounts for the financing of the fuel maintenance and operation of motor vehicles owned by the City. Departments using vehicles are charged an annual amount for fuel, maintenance and operation based on their actual experience.

The **Risk Management Fund** accounts for claim settlements, administrative costs and the reserve trust fund established for future losses from liability suits; workers' compensation claims and medical, disability and rehabilitation payments; legal and administrative costs; and the reserve trust fund established for future losses from industrial injury. This self-insurance fund is financed by departmental premiums based on historical experience.

The **Information System Fund** accounts for the provision of telephone and data technology services. The departments using these services are charged fees based on the number of telephones and computers assigned to each department.

The **Civic Improvement Authority Fund** accounts for all revenue and expenses of the separate legal entity as a joint powers agency by the City of La Habra and the RDA on September 14, 1982. Financing is mainly through the issuance of Certificates of Participation used for the acquisition of equipment to be leased to the City. Additionally, the Authority has purchased real property which produces rental income until it is included in a redevelopment project.

The **Replacement Cost Fund** accounts for the financing of vehicles and similar types of equipment. The departments using these vehicles and equipment are charged a "rental fee" composed of depreciation calculated on the straight-line basis plus an additional amount sufficient to finance the replacement of said vehicles and equipment.

The **Employee Benefit Fund** accounts for the payments and reserves for compensated absences. The departments with the respective employees are charged as benefit is used.

**Fiduciary fund types** are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

The **Agency Fund** accounts for public deposits on a variety of City services held by the City as an agent for others. The Agency Fund is custodian in nature (assets equal liabilities) and does not involve measurement of results of operations.

**Implementation of new accounting principle:** The City adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. This Statement modifies disclosure requirements for deposits and investments to address common deposit and investment risks related to credit risk, concentration risk, interest rate risk and foreign currency risk. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 40.

**Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued**

**Pronouncements issued, not yet effective:** The GASB has issued several pronouncements prior to June 30, 2005 that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City of La Habra:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*
- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)*
- GASB Statement No. 47, *Accounting for Termination Benefits*

Additionally, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*, which amends portions of previous guidance related to the preparation of a statistical section when presented as a required part of comprehensive annual financial report (CAFR).

**Statement of cash flows:** For purposes of the statement of cash flows for proprietary fund type funds, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

**Encumbrances:** Appropriations in the governmental funds are charged for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorizations for expenditures in the subsequent year.

**Cash and pooled cash investments:** Except where otherwise required, the City maintains all deposits in a bank account in the name of the City. These deposits are invested on a short-term basis with interest income being recorded in the General Fund, except for interest income allocated to Enterprise Funds and where specifically required by law to be recorded in other funds. The balance reported in each fund represents an equity interest in the commingled pool of cash, which is under the management of the City Treasurer.

For purposes of reporting the statements of cash flows, cash and cash equivalents include cash on deposit with financial institutions and short-term marketable securities with a maturity of three months or less.

**Restricted cash and investments:** Restricted cash and investments are stated at fair value and are those set aside for uses that are specified by bond indentures or agreements.

**Investments:** Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation. The fair value of the investments is generally based on published market prices and quotations from major investment firms.

**Inventories:** Inventories, which consist of supplies and water held for consumption, are valued at the lower of cost (first-in first-out method) for Governmental Fund types and at an amount which approximates the lower of average cost or market for Proprietary Fund types. Inventories of Governmental Fund types are accounted for as expenditures when the inventory is consumed.

**Notes to Financial Statements**

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**Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued**

**Capital assets:** Capital assets, which include land, buildings and improvements, vehicles, improvements other than buildings, property and equipment and infrastructure assets (e.g., roads, bridges, traffic signals and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

Type of Asset	Life in Years
Infrastructure	
Sewer:	
Main	40
Lateral	40
Manholes	40
Water:	
Pumping equipment	20–25
Reservoirs and mains	40
Meters and hydrants	30
Telemetry	25
Autos and trucks	2–15
Machinery and equipment	3–20
Buildings and improvements	5–40
Infrastructure	30–50
Improvements other than buildings	5–20

**Debt discounts/issuance costs:** Bond discounts and issuance costs for Proprietary Fund types are deferred and amortized over the term of the bonds using a method which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the bonds payable, whereas the issuance costs are recorded as deferred charges.

**Interfund transactions:** Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

**Note 1. Nature of Business and Summary of Significant Accounting Policies, Continued**

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" or "advances 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."

**Compensated absences:** City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Sick leave is payable when used, or upon death or retirement.

For governmental fund types, the amount of accumulated unpaid vacation and sick leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations. For government-wide and proprietary fund statements, the liability for compensation absences is recognized as incurred.

**Deferred revenue:** Deferred revenues in the governmental funds represent amounts due which are measurable but not available. In the statement of net assets, deferred revenues represent the deferral of property tax receivables which are levied for a future period. Unearned revenues represent grants and similar items received; however the City has not met all eligibility requirements imposed by the provider.

**Receivables and payables:** All trade, service and tax receivables are shown net of an allowance for uncollectibles.

**Long-term obligations:** In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund equity:** In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans and are subject to change.

**Net assets:** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt exclude unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

Notes to Financial Statements

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**Note 2. Cash and Investments**

Cash and investments at June 30, 2005 consist of the following:

Cash and investments, including deposit accounts	\$ 45,053,708
Cash and investments with fiscal agents	11,685,666
	<u>56,739,374</u>
Less in-transit items	(564,921)
Cash on hand and other held cash	98,536
Total	<u><u>\$ 56,272,989</u></u>

Cash and investments are reported in the accompanying financial statements as follows:

Governmental activities:	
Cash and investments	\$ 25,305,896
Cash and investments with fiscal agents	4,925,928
	<u>30,231,824</u>
Business-type activities:	
Cash and investments	10,243,998
Cash and investments with fiscal agents	6,759,738
	<u>17,003,736</u>
Statement of fiduciary net assets, cash and investments	9,037,429
	<u><u>\$ 56,272,989</u></u>

The City maintains cash and investment pools that are available for use by all funds. Each fund's share of the pool balance is reported in the financial statements as cash and investments. Separate cash and investment accounts are not maintained for each City fund; however, individual accounting records are maintained showing the balance attributable to each fund. Investment income resulting from this pooling is allocated to the respective funds based on the sources of funds invested as required by law.

Notes to Financial Statements

Note 2. Cash and Investments, Continued

**Investments authorized by the California Government Code and the City of La Habra adopted investment policy:** The table below identifies the investment types that are authorized for the City of La Habra by the California Government Code and by the City's adopted investment policy. The table also identifies certain provisions of the California Government Code or the City's adopted investment policy, where more restrictive, 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 or its Authorities, rather than the general provisions of the California Government Code or the City's adopted investment policy.

Authorized Investments	Maximum % of Portfolio Authorized	Maximum Maturity	Maximum per Issuer	Other Restrictions
City or City Agency Bonds	10%	5 years Longer than 5 years if approved by the City Council	No limit	
U.S. Treasury obligations	100%	5 years Longer than 5 years if approved by the City Council	No limit	
State of California Obligations	20%	5 years Longer than 5 years if approved by the City Council	No limit	Short-term rating: A1, SP-1 or equivalent Long term rating: Aa/AA or better
California Local Agency Bonds	20%	5 years Longer than 5 years if approved by the City Council	No limit	Short-term rating: A1, SP-1 or equivalent Long-term rating: Aa/AA or better
U.S. Agency obligations	100%	5 years Longer than 5 years if approved by the City Council	No more than 10% of the portfolio may be invested in any one Agency bond  No more than 30% of the portfolio may be invested in any one Agency issuer	

Notes to Financial Statements

Note 2. Cash and Investments, Continued

Authorized Investments	Maximum % of Portfolio Authorized	Maximum Maturity	Maximum per Issuer	Other Restrictions
Bankers' Acceptances	20%	180 days	No more than 5% of the portfolio may be invested in any one issuer	
Commercial paper	30%	270 days	No more than 10% of the outstanding commercial paper of an issuing corporation  No more than 5% of the portfolio may be invested in any one issuer	
Negotiable certificates of deposit	20%	5 years  Longer than 5 years if approved by the City Council	No more than 5% of the portfolio may be invested in any one bank name	
Time certificates of deposit	100%	5 years  Longer than 5 years if approved by the City Council	No limit	Must be collateralized per Government Code
Repurchase agreements	100%	90 days	No limit	See California Government Code Section 53601, (I)  Must be collateralized per Government Code

Notes to Financial Statements

Note 2. Cash and Investments, Continued

Authorized Investments	Maximum % of Portfolio Authorized	Maximum Maturity	Maximum per Issuer	Other Restrictions
Medium-Term Corporate Notes/Bonds	20%	5 years	No more than 5% of the portfolio may be invested in one bank or corporate name.	Rated "AA" or better.
Money market funds	20%.	1 day availability	No more than 10% of the total portfolio in any one money market fund	No funds will be invested in mutual funds
LAIF or other governmental investment pools	100%	1 day availability	\$40 million per governmental account	

**Investments authorized by debt agreements:** Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the general investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer	Other Restrictions
U.S. Treasury Obligations	No limit	No limit	No limit	
Federal Housing Administration Debentures	No limit	No limit	No limit	
U.S. Agency Securities	No limit	No limit	No limit	

Notes to Financial Statements

Note 2. Cash and Investments, Continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer	Other Restrictions
Unsecured CDs, time deposits and bankers' acceptances	30 days	No limit	No limit	Rated "A-1" or better by S&P and "A" or better by Moody's
FDIC-insured bank deposits	No limit	No limit	No limit	Banks must have capital and surplus of at least \$5 million
Commercial paper	270 days	No limit	No limit	Rated "A-1+" by S&P and "P-1" by Moody's
Money market funds	No limit	No limit	No limit	Rated "AAm" or "AAm-G" or better by S&P
State obligations	No limit	No limit	No limit	GO bonds must be rated "A3" or better by Moody's and "A" or better by S&P  Direct general short-term obligations rated "A-1+" by S&P and "P1" by Moody's  Special Revenue bonds rated "AA" or better by S&P and "Aa" or better by Moody's
Pre-refunded municipal obligations	No limit	No limit	No limit	Rated "AAA" by S&P and "Aaa" by Moody's and subject to further indenture limitations
Repurchase agreements	270 days	No limit	No limit	Rated "A" or better by S&P and Moody's and subject to additional indenture limitations
Investment agreements	No limit	No limit	No limit	Rated "AA" or better by S&P and "Aa" or better by Moody's and subject to additional indenture requirements and limitations
LAIF	No limit	No limit	No limit	

Notes to Financial Statements

Note 2. Cash and Investments, Continued

**Disclosures related 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.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Types	Amount	Remaining Maturity		
		Less than 1 year	1 to 3 years	3 to 5 years
U.S. Treasury bonds	\$ 3,679,609	\$ -	\$ 3,679,609	\$ -
Federal agency securities	21,815,985	1,956,000	11,802,139	8,057,846
Corporate medium-term notes	1,853,947	-	957,928	896,019
Bank deposits and money markets	2,550,817	2,550,817	-	-
L.A.I.F.	15,153,350	15,153,350	-	-
	<u>\$ 45,053,708</u>	<u>\$ 19,660,167</u>	<u>\$ 16,439,676</u>	<u>\$ 8,953,865</u>

**Disclosures related 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 the California Government Code or the City's investment policy, and the actual rating as of year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End (where applicable)			
			Exempt from Disclosure	AAA	AA	Not Rated
U.S. Treasury bonds	\$ 3,679,609	Exempt	\$ 3,679,609	\$ -	\$ -	\$ -
Federal agency securities	21,815,985	N/A	-	21,815,985	-	-
Corporate medium-term notes	1,853,947	AA	-	896,019	957,928	-
Bank deposits and money markets	2,550,817	AAA	-	320,466	-	2,230,351
L.A.I.F.	15,153,350	N/A	-	-	-	15,153,350
	<u>\$ 45,053,708</u>		<u>\$ 3,679,609</u>	<u>\$ 23,032,470</u>	<u>\$ 957,928</u>	<u>\$ 17,383,701</u>

Notes to Financial Statements

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**Note 2. Cash and Investments, Continued**

**Concentration of credit risk:** The City's investment policy contains certain limitations as disclosed in the accompanying table on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The distribution of investments, by issuer that represents 5% or more of the City's investments are as follows:

<u>Issuer Name</u>	<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury Bond <sup>(1)</sup>	U.S. Government Bond	\$ 3,617,353
Federal Home Loan Mortgage	U.S. Agency Bond	6,572,721
Federal Home Loan Bank	U.S. Agency Bond	7,165,802
Fannie Mae	U.S. Agency Bond	7,783,087

<sup>(1)</sup> Exempt from Disclosure

**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 the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or 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.

As of June 30, 2005, \$320,466 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. As of June 30, 2005, no City investments were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

Notes to Financial Statements

Note 2. Cash and Investments, Continued

The following table lists the investment holdings of City issued bond transactions:

Cash and Investments Held with Fiscal Agents (1998 Series A, B and C COPs and 2003 Revenue Bond)			
Investment Type	Reported Amount	Maturity	Rating
Money market and deposits	\$ 513,303	Less than 1 year	Not Rated
Investment contracts:			
Westdeutsche Landesbank	1,620,310	09/01/2022	AA
Westdeutsche Landesbank	395,460	09/01/2022	AA
Financial Guaranty Insurance	5,000,100	05/01/2007	AAA
LAIF	4,156,593	Less than 1 year	Not Rated
	<u>\$ 11,685,766</u>		

**Investment contracts with fiscal agents:** The City has investment contracts held by trustees pledged to the payment or security of certain bonds. Two of the investment contracts represent monies invested with *Westdeutsche Landesbank Girozentrale* (WLG) out of New York, New York, carried at cost. Pursuant to the Custody Agreement, WLG has posted collateral securities with the Custodian acting on behalf of the City. In the unlikely event of a payment default by WLG, the Custodian would liquidate the collateral securities, resulting in the City receiving 100% of its invested funds. The City receives semiannual interest payments each March 1 and September 1 at annual rates of 5.69% and 5.90%. The investment agreements expire September 1, 2022, at which time all unpaid principal will be remitted to the City. This investment is not insured by the FDIC. The investment contract with Financial Guaranty Insurance (FGI) represents monies invested with FGI, carried at cost. Pursuant to the Custody Agreement, FGI has posted collateral securities with the Custodian acting on behalf of the City. In the unlikely event of a payment default by FGI, the Custodian would liquidate the collateral securities, resulting in the City receiving 100% of its invested funds. The City receives monthly interest payments at an annual rate of 3.34%. The investment agreement expires May 1, 2007, at which time all unpaid principal will be remitted to the City. This investment is not insured by the FDIC.

**Investment in state investment pool:** The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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 City's LAIF balance at June 30, 2005 was \$15,153,350.

Notes to Financial Statements

Note 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2005:

	Balance at July 1, 2004	Increases	Decreases	Balance at June 30, 2005
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,668,318	\$ -	\$ -	\$ 7,668,318
Construction in progress	3,859,447	7,202,668	3,859,447	7,202,668
Total capital assets not being depreciated	11,527,765	7,202,668	3,859,447	14,870,986
Capital assets being depreciated:				
Land improvements	-	1,141,458	-	1,141,458
Buildings and improvements	10,458,329	563,903	-	11,022,232
Improvements other than buildings	880,593	252,703	-	1,133,296
Machinery and equipment	3,336,427	2,422,054	110,343	5,648,138
Autos and trucks	3,856,098	595,944	243,329	4,208,713
Infrastructure	36,550,626	7,782,856	350,533	43,982,949
Total capital assets being depreciated	55,082,073	12,758,918	704,205	67,136,786
Less accumulated depreciation for:				
Land improvements	-	3,691	-	3,691
Buildings and improvements	4,666,663	252,183	-	4,918,846
Improvements other than buildings	876,628	7,207	-	883,835
Machinery and equipment	2,798,880	166,723	88,865	2,876,738
Autos and trucks	2,873,164	276,498	243,329	2,906,333
Infrastructure	11,124,764	1,115,484	-	12,240,248
Total accumulated depreciation	22,340,099	1,821,786	332,194	23,829,691
Total capital assets being depreciated, net	32,741,974	10,937,132	372,011	43,307,095
Governmental activities capital assets, net	\$ 44,269,739	\$ 18,139,800	\$ 4,231,458	\$ 58,178,081

City of La Habra, California

Notes to Financial Statements

Note 3. Capital Assets, Continued

	Balances at July 1, 2004	Increases	Decreases	Balances at June 30, 2005
Business-type activities:				
Capital assest not being depreciated:				
Land	\$ 12,800,000	\$ -	\$ -	\$ 12,800,000
Construction in progress	359,688	1,752,707	359,688	1,752,707
Total capital assets not being depreciated	13,159,688	1,752,707	359,688	14,552,707
Capital assets being depreciated:				
Buildings and improvements	5,141,477	-	-	5,141,477
Improvements other than buildings	245,163	-	-	245,163
Machinery and equipment	289,238	90,655	4,224	375,669
Autos and trucks	-	26,937	-	26,937
Infrastructure	25,657,411	2,339,998	-	27,997,409
Total capital assets being depreciated	31,333,289	2,457,590	4,224	33,786,655
Less accumulated depreciation for:				
Buildings and improvements	2,605,740	231,160	-	2,836,900
Improvements other than buildings	141,650	12,082	-	153,732
Machinery and equipment	42,655	16,593	4,224	55,024
Infrastructure	14,307,791	450,271	-	14,758,062
Total accumulated depreciation	17,097,836	710,106	4,224	17,803,718
Total capital assets being depreciated, net	14,235,453	1,747,484	-	15,982,937
Business-type activities, capital assets, net	\$ 27,395,141	\$ 3,500,191	\$ 359,688	\$ 30,535,644

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

Governmental activities:	
General government	\$ 44,338
Public safety	342,666
Public works	1,256,989
Community services	158,298
Community development	19,495
Total depreciation expense, governmental activities	\$ 1,821,786

City of La Habra, California

Notes to Financial Statements

Note 4. Long-term Debt

The following is a summary of the changes in the principal balance of long-term debt for the year ended June 30, 2005:

	Balance, July 1, 2004	Additions	Deletions	Balance, June 30, 2005	Due within One Year
Governmental activities:					
Energy loan agreement	\$ 469,948	\$ 610,052	\$ -	\$ 1,080,000	\$ 10,940
Energy capital lease agreement	236,000	1,002,035	16,604	1,221,431	36,276
Notes payable	757,416	-	33,380	724,036	35,000
1999 refunding special tax bonds	2,810,000	-	115,000	2,695,000	120,000
2000 tax allocation bonds	7,655,000	-	105,000	7,550,000	110,000
La Habra local development note payable	298,984	-	298,984	-	-
	<u>12,227,348</u>	<u>1,612,087</u>	<u>568,968</u>	<u>13,270,467</u>	<u>312,216</u>
Compensated absences*	3,946,916	2,413,316	2,252,021	4,108,211	1,643,284
	<u>16,174,264</u>	<u>4,025,403</u>	<u>2,820,989</u>	<u>17,378,678</u>	<u>1,955,500</u>
Internal Service Funds included in governmental activities:					
Equipment leases	172,109	-	156,757	15,352	15,352
1998 Certificates of Participation, Series B	4,880,000	-	170,000	4,710,000	180,000
1998 Certificates of Participation, Series C	945,000	-	30,000	915,000	30,000
	<u>5,997,109</u>	<u>-</u>	<u>356,757</u>	<u>5,640,352</u>	<u>225,352</u>
Less unamortized discount	41,069	-	2,261	38,808	2,260
	<u>5,956,040</u>	<u>-</u>	<u>354,496</u>	<u>5,601,544</u>	<u>223,092</u>
Total long-term debt of governmental activities	<u>\$ 22,130,304</u>	<u>\$ 4,025,403</u>	<u>\$ 3,175,485</u>	<u>\$ 22,980,222</u>	<u>\$ 2,178,592</u>
Business-type activities:					
1998 Certificates of Participation, Series A	\$ 19,805,000	\$ -	\$ 585,000	\$ 19,220,000	\$ 660,000
Internal Service Fund included in business-type activities:					
2003 Revenue Bond, Series A	7,500,000	-	145,000	7,355,000	150,000
	<u>27,305,000</u>	<u>-</u>	<u>730,000</u>	<u>26,575,000</u>	<u>810,000</u>
Less unamortized discount	140,982	-	7,761	133,221	7,761
Total long-term debt of business-type activities	<u>\$ 27,164,018</u>	<u>\$ -</u>	<u>\$ 722,239</u>	<u>\$ 26,441,779</u>	<u>\$ 802,239</u>

\* The portion of compensated absences due within one year are reported in the Internal Service Employee Benefit fund. All compensated absences are expended out of each of the respective funds that the payroll time was allocated to during that payroll period.

**Note 4. Long-term Debt, Continued**

**Governmental activities:**

**Energy loan agreement and energy lease agreement:** During the fiscal year ended June 30, 2003, Chevron Energy Solutions Company (Chevron) conducted a study of the City's energy use. Based on that study, in March 2004, the City and Chevron Energy Solutions Company, entered into a service contract whereby Chevron would construct and install approximately \$2.3 million of energy saving solutions for the City. These solutions include lighting, motors, tiller systems, air conditioners, controllers and control systems, in both City buildings and on other City property (i.e., parks and streets)

To pay for these solutions, the City entered into a \$1,080,000 loan agreement and a separate \$1,273,390 capital lease agreement. The loan agreement is due in 28 semiannual installments of \$52,981, payments beginning on December 22, 2005. The capital lease agreement calls for 62 quarterly payments ranging from \$22,581 to \$38,999, ending on November 11, 2020. The City remitted a total of \$45,162 for principal and interest during the year ended June 30, 2005.

**Notes payable:** The City has a note payable to the Lowell Joint School District that bears interest at 4.75% per annum and is secured by a deed of trust. The note payable calls for monthly payments of \$5,720, including interest, and expires in February 2020. The source of repayment is the General Fund.

**1999 Refunding Special Tax Bonds:** On July 1, 1999, the Community Facilities District of the Agency issued 1999 Special Tax Bonds (Refunding Bonds) in the amount of \$3,185,000 at interest rates ranging from 4.25% to 6% to advance refund \$3,250,000 of outstanding 1990 Special Tax Bonds (Refunded Bonds) with interest rates ranging from 7% to 7.75%. The Refunding Bonds mature in varying amounts through September 2019 and are collateralized by and payable from a first pledge of special taxes to be levied on taxable real property with the District. In addition, the Agency has committed, through an Owner Participation Agreement, to subsidize the special taxes payable on the Refunding Bonds with incremental property taxes.

**2000 Tax Allocation Bonds:** On November 1, 2000, the Agency issued Tax Allocation Bonds in an aggregate amount of \$8,000,000 with variable and fixed interest rates ranging from 4.5% to 5.875% to finance the Agency's redevelopment activities. The bonds mature in various annual amounts through October 1, 2032 and are payable from tax increment revenues.

**La Habra Local Development Note:** On March 1, 2003, the Agency obtained a loan in the amount of \$350,000 at a 2% interest rate to purchase land and furniture. The note calls for monthly payments of \$4,468, including interest. The City paid off this note in full on November 5, 2004.

**Equipment lease:** The City leases a fire truck and certain computer equipment under the terms of a capital lease agreement. The fire truck agreement calls for semiannual payments of approximately \$16,970, including interest, and was paid off in full on June 13, 2005. The computer equipment agreement calls for monthly payments of approximately \$2,600, including interest, and expires in February 2006.

Notes to Financial Statements

Note 4. Long-term Debt, Continued

Governmental activities, continued:

**1998 Certificates of Participation, Series B and C:** On September 15, 1998, the Civic Improvement Authority issued Certificates of Participation, Series B and C (Refunding Certificates) in an aggregate amount of \$6,705,000 with variable and fixed interest rates ranging from 4% to 6.5% to advance refund \$5,105,000 of outstanding 1992 Tax Allocation Revenue Bonds (Refunded Bonds), with interest rates ranging from 4.75% to 7.6%. The certificates mature in various annual amounts through September 1, 2022 and are payable from lease payments made by the City to the Authority.

Business-type activities:

**1998 Certificates of Participation, Series A:** On September 15, 1998, the Housing Authority issued Certificates of Participation, Series A (Refunding Certificates, Series A) in an aggregate amount of \$21,895,000 with variable and fixed interest rates ranging from 4% to 4.8% to advance refund \$19,005,000 of outstanding 1992 Certificates of Participation (Refunded Certificates), with interest rates ranging from 4% to 5%. The Refunding Certificates, Series A mature in varying annual amounts through September 1, 2022 and are collateralized by amounts payable by the City to the Housing Authority under a lease agreement.

**2003 Revenue Bonds, Series A:** On October 1, 2003, the Civic Improvement Authority issued \$5,475,000 Serial Bonds and \$2,025,000 Term Bonds, collectively called Revenue Bonds, 2003 Series A, in the amount of \$7,500,000 with variable and fixed interest rates ranging from 1.500% to 5.125%. The Revenue Bonds mature in varying amounts through October 2033 and are collateralized by the net revenues of the water enterprises, payable under an installment sale agreement.

At June 30, 2005, annual debt service requirements to maturity for long-term debt, excluding accrued compensated absences, are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 537,568	\$ 1,028,823	\$ 810,000	\$ 1,186,551
2007	597,963	896,759	865,000	1,156,614
2008	628,210	873,322	920,000	1,123,672
2009	664,250	843,127	955,000	1,087,999
2010	695,804	813,718	1,005,000	1,049,599
2011–2015	4,461,140	3,514,284	5,770,000	4,549,947
2016–2020	5,440,885	2,332,673	7,180,000	3,079,965
2021–2025	2,920,000	1,217,686	5,745,000	1,318,905
2026–2030	1,700,000	628,038	1,665,000	639,678
2031–2034	1,264,999	114,122	1,660,000	175,275
	18,910,819	12,262,552	26,575,000	15,368,205
Unamortized discount	(38,808)	38,808	(133,221)	133,221
	<u>\$ 18,872,011</u>	<u>\$ 12,301,360</u>	<u>\$ 26,441,779</u>	<u>\$ 15,501,426</u>

Notes to Financial Statements

Note 5. Interfund Activity

Interfund balances from lending/borrowing agreements consisted of the following at June 30, 2005:

Fund	Due from Other Funds	Due to Other Funds	Advances to Other Funds	Advances from Other Funds
General	\$ 2,424,307	\$ 147,917	\$ 8,106,046	\$ 5,625,000
Redevelopment Capital Projects	147,917	20,128	-	8,697,260
Park and Capital Development	-	83,218	-	-
Redevelopment Debt Service	-	90,603	-	-
Manpower	-	2,201	-	-
Measure M	-	1,891,650	-	-
Water	5,271,514	-	-	7,355,000
Low-Moderate Income Housing	-	24,807	-	-
Children's Museum	-	29,475	-	-
Civic Improvement Authority	-	5,553,739	13,571,214	-
Housing Authority	-	-	2,000,000	-
Mobile Home Lease	-	-	-	2,000,000
	<u>\$ 7,843,738</u>	<u>\$ 7,843,738</u>	<u>\$ 23,677,260</u>	<u>\$ 23,677,260</u>

**Due from/to other funds:** These balances resulted from expenditures being incurred prior to receipt of the related revenue source.

**Advances to/from other funds:** These balances are primarily long-term advances used to fund capital projects in advance of related financing assessments.

Interfund transfers for the year ended June 30, 2005 consisted of the following:

Transfers to	Transfers from	Amount
Law Enforcement Fund	Public Safety Augmentation Fund	\$ 5,141
Children's Museum Fund	General Fund	85,000
Other Debt Service Fund	General Fund	68,637
Replacement Cost Fund	Air Quality Improvement Fund	106,206
Water Fund	Sewer Fund	29,482
Water Fund	Refuse Fund	71,818
Employee Benefit Fund	General Fund	12,451
Replacement Cost Fund	Law Enforcement Fund	30,720
Information Services Fund	Law Enforcement Fund	16,163
Replacement Cost Fund	Water Fund	5,400
Replacement Cost Fund	Sewer Fund	3,600
Replacement Cost Fund	Other Capital Projects Fund	15,777
Civic Improvement Authority Fund	Water Fund	322,244
Redevelopment Capital Projects Fund	Redevelopment Debt Service Fund	443,805
Other Capital Projects	General Fund	1,299,959
		<u>\$ 2,516,403</u>

Notes to Financial Statements

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**Note 5. Interfund Activity, Continued**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move receipts collected in debt service to other funds after debt service requirements have been met.

**Note 6. Pension Plan**

**Plan description:** The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

**Funding policy:** Participants are required to contribute 7% and 9% for miscellaneous and safety employees, respectively, of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 11.799% and 23.519% of annual covered payroll for miscellaneous and safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

**Annual pension cost:** For the year ended June 30, 2005, the City's annual pension cost of \$3,848,344 for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the latest actuarial valuation, June 30, 2003, using the entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases ranging from 3.25% to 14.45% depending on age, duration of service, and type of employment; and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. CalPERS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2005 was 30 years.

**Three-year trend information for CalPERS:**

<u>Years Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 1,322,829	100	-
2004	2,387,460	100	-
2005	3,848,344	100	-

Notes to Financial Statements

Note 6. Pension Plan, Continued

The City's employer contribution rate for safety employees is estimated to decrease to approximately 22.5% and 22.3%, for the fiscal years 2006–2007 and 2007–2008, respectively. Also, the City's employer contribution rate for miscellaneous employees is estimated to decrease to approximately 10.9% for the fiscal years 2006–2007 and 2007–2008.

Actuarial Valuation Date	Actuarial Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a)-(b)]/(c)
June 30, 2002						
Miscellaneous	\$ 38,461,685	\$ 40,490,909	\$ (2,029,224)	105.3 %	\$ 9,323,888	(21.8)
Safety	72,490,365	68,352,562	4,137,803	94.3	6,718,399	61.6
Total	\$ 110,952,050	\$ 108,843,471	\$ 2,108,579	98.1 %	\$ 16,042,287	13.1
June 30, 2003						
Miscellaneous	\$ 44,525,841	\$ 41,083,483	\$ 3,442,358	92.3 %	\$ 9,724,063	35.4
Safety	74,407,037	68,452,074	5,954,963	92.0	7,119,796	83.6
Total	\$ 118,932,878	\$ 109,535,557	\$ 9,397,321	92.1 %	\$ 16,843,859	55.8
June 30, 2004						
Miscellaneous	\$ 47,920,775	\$ 43,687,696	\$ 4,233,079	91.2 %	\$ 9,678,876	43.7
Safety	80,032,426	72,081,689	7,950,737	90.1	7,814,298	101.7
Total	\$ 127,953,201	\$ 115,769,385	\$ 12,183,816	90.5 %	\$ 17,493,174	69.6

Note 7. Commitments and Contingencies

**Self-insurance:** The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The City established a self-insurance program, the Risk Management Fund, to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$750,000 for each miscellaneous and each safety workers' compensation claim and \$250,000 for each general liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the Risk Management Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. All funds of the City participate in the program and make payments to the Self-insurance Funds based on actuarial estimates of amounts needed to pay claims.

The fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported. The City has accrued for its anticipated liability with respect to claims filed and claims incurred but not reported to the City as of year end. The accruals are in the amounts of \$1,646,494 and \$480,760 for the workers' compensation claims and general liability claims, respectively.

Notes to Financial Statements

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**Note 7. Commitments and Contingencies, Continued**

A reconciliation of changes in aggregate liabilities for claims for the current fiscal year and the prior fiscal year is as follows:

	Workers' Compensation	General Liability
	<u>                    </u>	<u>                    </u>
Amount of accrued claims at June 30, 2003	\$ 1,069,812	\$ 570,246
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	1,029,315	278,465
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(779,789)</u>	<u>(353,351)</u>
Amount of accrued claims at June 30, 2004	1,319,338	495,360
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	1,070,451	146,042
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(743,295)</u>	<u>(160,642)</u>
Amount of accrued claims at June 30, 2005	<u><u>\$ 1,646,494</u></u>	<u><u>\$ 480,760</u></u>

**Litigation:** There are several lawsuits pending against the City. According to the City's legal counsel, the outcome and eventual liability of the City, if any, in these cases is not known at this time. Management estimates that the potential claims against the City, not covered by insurance or self-insurance reserves, resulting from such litigation would not materially affect the financial statements of the City.

**Owner participation agreements:** The City has entered into several Owner Participation Agreements with various business owners within the City. Generally, these agreements require the Agency to remit to these businesses a portion of the sales tax revenue generated by their operations. However, one agreement requires the Agency to remit a percentage of the incremental property tax revenue earned by the Agency due to the increase in the assessed value of the business property in addition to a percentage of the sales tax revenue generated by their operations. Most of the agreements provide for limits of the amount of tax that can be remitted back to the business owner, ranging in the aggregate up to a maximum of \$5,839,000. The remaining number of years under these agreements range from 1 to 14 years. The City remitted approximately \$309,140 during the year ended June 30, 2005.

**Contractual commitments:** The City is involved in contractual agreements for construction in progress. As of June 30, 2005, the remaining estimated costs for the contractual agreements are approximately \$3,031,246.

**Note 7. Commitments and Contingencies, Continued**

**Environmental remediation:** The City Council approved a settlement agreement with the County of Orange regarding the remediation of a City park that had been previously used as a refuse disposal site operated by the County between 1949 and 1958. Prior to 1949 the park site was a burn dump operated by the City. As a result of these prior activities, the City has determined that remediation must be done in order to bring the park up to current environmental standards. The City estimates costs to remediate the park to be in excess of \$2 million with the balance of the settlement amount to be used for current and future methane mitigation operations and maintenance costs. Under the terms of the settlement agreement dated November 30, 2005, the County has agreed to pay \$4,995,000 for the full cost of remediation and assist funding ongoing maintenance costs; however, the City would be responsible for any park-related improvements once remediation is complete. In addition, the City and the County will share any future liability, if any, related to any groundwater contamination at the site. As of October 27, 2005, the City has not determined if park improvements will be made once the remediation project has been completed. As a result, the City has not recorded a remediation liability related to this site.

**Utility users tax:** The City's utility users tax (UUT) is an unrestricted General Fund revenue that comprises approximately 15% of the total General Fund revenue budget. It is currently set at a rate of 4.5% on electricity and 6.0% on all other utilities and is scheduled to sunset on December 31, 2007. The City is currently looking at ways to reduce future operating expenditures to help offset the loss of such revenue.

**Note 8. Subsequent Event**

**Redevelopment Agency Pass-through obligations:** The City's Redevelopment Agency (Agency) has a legal obligation to pass through certain property tax revenues to various taxing agencies within the Agency's project areas. These pass-through obligations totaling approximately \$200,000 have not been remitted as required during the past several fiscal years. The Agency identified this oversight and has been successful in reconciling and remitting the amounts owed to the various taxing entities subsequent to June 30, 2005, with one exception in the amount of approximately \$150,000, which is recorded in accounts payable as of June 30, 2005. For the remaining pass-through payment, the Agency has calculated that it owes approximately \$107,000 to the Fullerton Joint Union High School District (School District); however, the School District has disputed this amount, claiming that it is owed an additional \$94,000. The Agency disagrees with the School District's claim and continues to seek resolution regarding this issue. The City has recorded \$108,000 in accrued liabilities at June 30, 2005 for this School District pass-through matter.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of La Habra, California

Required Supplementary Information  
 Budgetary Comparison Schedule—General Fund  
 Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1, 2004			\$ 8,843,459	
Resources (inflows):				
Property taxes and special assessments	\$ 6,387,695	\$ 6,387,695	9,635,031	\$ 3,247,336
Sales and use tax	8,125,000	8,125,000	8,580,008	455,008
Utility users tax	4,665,000	4,665,000	4,765,367	100,367
Intergovernmental	3,046,500	3,046,500	1,696,647	(1,349,853)
Licenses and permits	2,592,620	2,592,620	2,609,181	16,561
Charges for services	4,172,836	4,172,836	4,070,081	(102,755)
Fines, forfeitures and penalties	725,000	725,000	624,665	(100,335)
Use of money and property	688,313	688,313	555,489	(132,824)
<b>Amount available for appropriations</b>	<b>30,402,964</b>	<b>30,402,964</b>	<b>32,536,469</b>	<b>2,133,505</b>
Charges to appropriations (outflows):				
Current:				
General government	2,278,262	3,503,293	3,589,436	(86,143)
Public safety	18,526,705	18,526,705	18,055,069	471,636
Public works	4,480,917	4,480,917	4,261,413	219,504
Community services	2,491,063	2,491,063	2,538,512	(47,449)
Community development	1,242,350	1,242,350	1,161,586	80,764
Capital outlay	-	-	26,556	(26,556)
Principal expense	-	-	16,604	(16,604)
Interest expense	-	-	28,558	(28,558)
Transfer to other funds	1,383,667	153,637	1,466,047	(1,312,410)
<b>Total charges to appropriations</b>	<b>30,402,964</b>	<b>30,397,965</b>	<b>31,143,781</b>	<b>(745,816)</b>
<b>Excess of resources over charges to appropriations (outflows)</b>	<b>\$ -</b>	<b>\$ 4,999</b>	<b>1,392,688</b>	<b>\$ 1,387,689</b>
Fund balance, June 30, 2005			\$ 10,236,147	

See Note to Required Supplementary Information.

Note to Required Supplementary Information

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**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the capital projects funds (excluding the low-moderate income housing capital project fund) which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

On or before the last day in March of each year, all agencies of the government submit requests for appropriations to the government's manager so that a budget may be prepared. Before the first Thursday of June, the proposed budget is presented to the government's council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function and department. The government's department head, with approval of the Finance Director and City Manager, may make transfers of appropriations within a department. Transfers of appropriations between departments within a fund must be approved by the City Manager. Transfers between funds must be approved by the City Council; therefore, the legal level of budgetary control is at the fund level. The council made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made in the various nonmajor governmental funds are detailed in other supplementary information.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**SUPPLEMENTARY INFORMATION**

City of La Habra, California

Combining Balance Sheet—Nonmajor Governmental Funds  
June 30, 2005

Assets	Special Revenue Funds				
	State Gas Tax	Park and Capital Development	Air Quality Improvement	Law Enforcement	Child Development
Cash and investments	\$ 23,586	\$ 1,408,097	\$ 25,484	\$ 209,996	\$ 415,997
Receivables	-	-	-	-	343,213
Cash and investments with fiscal agents	-	-	4,657	-	-
Due from other governments	104,867	269,422	18,091	260,859	545,395
Land held for sale	-	-	-	-	-
<b>Total assets</b>	<b>\$ 128,453</b>	<b>\$ 1,677,519</b>	<b>\$ 48,232</b>	<b>\$ 470,855</b>	<b>\$ 1,304,605</b>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accounts payable	\$ 159,598	\$ 405,953	\$ 30,182	\$ 106,657	\$ 262,981
Accrued liabilities	1,967	-	-	93,479	105,392
Due to other funds	-	83,218	-	-	-
Deferred revenue	-	-	-	1,002	931,570
<b>Total liabilities</b>	<b>161,565</b>	<b>489,171</b>	<b>30,182</b>	<b>201,138</b>	<b>1,299,943</b>
Fund Balances					
Reserved for:					
Debt service	-	-	-	-	-
Land held for resale	-	-	-	-	-
Low-moderate income housing	-	-	-	-	-
Encumbrances	85,089	-	-	-	-
Unreserved:					
Special revenue	(118,201)	1,188,348	18,050	269,717	4,662
Debt service	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>(33,112)</b>	<b>1,188,348</b>	<b>18,050</b>	<b>269,717</b>	<b>4,662</b>
<b>Total liabilities and fund balances</b>	<b>\$ 128,453</b>	<b>\$ 1,677,519</b>	<b>\$ 48,232</b>	<b>\$ 470,855</b>	<b>\$ 1,304,605</b>

Special Revenue Funds				Debt Service Funds		Capital Projects Fund	
Housing and Community Development	Manpower	Measure M	Public Safety Augmentation	Redevelopment Debt Service	Other Debt Service	Low-Moderate Income Housing	Total
\$ 128,324	\$ -	\$ -	\$ 299,798	\$ 260,499	\$ 43,872	\$ 1,359,883	\$ 4,175,536
-	-	-	-	18,731	-	4,683	366,627
-	-	-	-	277,900	-	-	282,557
217,832	96,440	1,597,971	19,597	-	-	-	3,130,474
-	-	-	-	-	-	111,000	111,000
<u>\$ 346,156</u>	<u>\$ 96,440</u>	<u>\$ 1,597,971</u>	<u>\$ 319,395</u>	<u>\$ 557,130</u>	<u>\$ 43,872</u>	<u>\$ 1,475,566</u>	<u>\$ 8,066,194</u>
\$ 245,617	\$ 28,957	\$ 46,145	\$ -	\$ 410,798	\$ -	\$ 2,620	\$ 1,699,508
17,448	14,020	2,101	-	-	-	8,620	243,027
-	2,201	1,891,650	-	90,603	-	24,807	2,092,479
-	-	-	-	-	-	-	932,572
<u>263,065</u>	<u>45,178</u>	<u>1,939,896</u>	<u>-</u>	<u>501,401</u>	<u>-</u>	<u>36,047</u>	<u>4,967,586</u>
-	-	-	-	277,900	-	-	277,900
-	-	-	-	-	-	111,000	111,000
-	-	-	-	-	-	1,328,519	1,328,519
-	-	746,071	-	-	-	-	831,160
83,091	51,262	(1,087,996)	319,395	-	-	-	728,328
-	-	-	-	(222,171)	43,872	-	(178,299)
<u>83,091</u>	<u>51,262</u>	<u>(341,925)</u>	<u>319,395</u>	<u>55,729</u>	<u>43,872</u>	<u>1,439,519</u>	<u>3,098,608</u>
<u>\$ 346,156</u>	<u>\$ 96,440</u>	<u>\$ 1,597,971</u>	<u>\$ 319,395</u>	<u>\$ 557,130</u>	<u>\$ 43,872</u>	<u>\$ 1,475,566</u>	<u>\$ 8,066,194</u>

City of La Habra, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor  
Governmental Funds  
Year Ended June 30, 2005

	Special Revenue Funds				
	State Gas Tax	Park and Capital Development	Air Quality Improvement	Law Enforcement	Child Development
Revenues:					
Property taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,150,629	328,969	218,465	922,197	4,386,154
Use of money and property	10,917	194,919	1,768	8,013	8,247
<b>Total revenues</b>	<b>1,161,546</b>	<b>523,888</b>	<b>220,233</b>	<b>930,210</b>	<b>4,394,401</b>
Expenditures:					
Current:					
General government	-	-	205,018	-	-
Intergovernmental	-	-	-	-	-
Public safety	-	-	-	794,282	-
Public works	3,464	-	-	-	-
Manpower	-	-	-	-	-
Community services	-	-	-	-	4,467,969
Community development	-	-	-	-	-
Capital outlay	2,563,853	548,718	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest expense	-	-	-	-	-
<b>Total expenditures</b>	<b>2,567,317</b>	<b>548,718</b>	<b>205,018</b>	<b>794,282</b>	<b>4,467,969</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,405,771)</b>	<b>(24,830)</b>	<b>15,215</b>	<b>135,928</b>	<b>(73,568)</b>
Other financing sources (uses):					
Transfers:					
From other funds	-	-	-	5,141	-
(To) other funds	-	-	(106,206)	(46,883)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(106,206)</b>	<b>(41,742)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(1,405,771)</b>	<b>(24,830)</b>	<b>(90,991)</b>	<b>94,186</b>	<b>(73,568)</b>
Fund balance, beginning	1,372,659	1,213,178	109,041	175,531	78,230
Fund balance, ending	\$ (33,112)	\$ 1,188,348	\$ 18,050	\$ 269,717	\$ 4,662

Special Revenue Funds				Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
Housing and Community Development	Manpower	Measure M	Public Safety Augmentation	Redevelopment Debt Service	Other Debt Service	Low-Moderate Income Housing	
\$ -	\$ -	\$ -	\$ -	\$ 1,656,430	\$ -	\$ 342,568	\$ 1,998,998
1,323,337	411,959	1,177,210	222,098	-	-	-	10,141,018
-	-	6,327	8,465	18,018	916	26,319	283,909
<u>1,323,337</u>	<u>411,959</u>	<u>1,183,537</u>	<u>230,563</u>	<u>1,674,448</u>	<u>916</u>	<u>368,887</u>	<u>12,423,925</u>
-	-	-	-	-	-	-	205,018
-	-	-	-	392,850	-	-	392,850
-	-	-	159,252	-	-	-	953,534
-	-	83,575	-	-	-	-	87,039
-	411,959	-	-	-	-	-	411,959
-	-	-	-	-	-	-	4,467,969
506,684	-	-	-	-	-	278,384	785,068
793,444	-	1,543,988	-	-	-	-	5,450,003
-	-	-	-	220,000	33,380	-	253,380
-	-	-	-	586,125	35,257	-	621,382
<u>1,300,128</u>	<u>411,959</u>	<u>1,627,563</u>	<u>159,252</u>	<u>1,198,975</u>	<u>68,637</u>	<u>278,384</u>	<u>13,628,202</u>
<u>23,209</u>	<u>-</u>	<u>(444,026)</u>	<u>71,311</u>	<u>475,473</u>	<u>(67,721)</u>	<u>90,503</u>	<u>(1,204,277)</u>
-	-	-	-	-	68,637	-	73,778
-	-	-	(5,141)	(443,805)	-	-	(602,035)
-	-	-	(5,141)	(443,805)	68,637	-	(528,257)
<u>23,209</u>	<u>-</u>	<u>(444,026)</u>	<u>66,170</u>	<u>31,668</u>	<u>916</u>	<u>90,503</u>	<u>(1,732,534)</u>
59,882	51,262	102,101	253,225	24,061	42,956	1,349,016	4,831,142
<u>\$ 83,091</u>	<u>\$ 51,262</u>	<u>\$ (341,925)</u>	<u>\$ 319,395</u>	<u>\$ 55,729</u>	<u>\$ 43,872</u>	<u>\$ 1,439,519</u>	<u>\$ 3,098,608</u>

City of La Habra, California

Combining Schedule of Revenues and Expenditures—Budget and Actual—Nonmajor  
 Governmental Funds  
 Year Ended June 30, 2005

	Budget	Actual	Variance from Final Budget Over (Under)
<b>State Gas Tax</b>			
Total revenues	\$ 1,619,126	\$ 1,161,546	\$ (457,580)
Total expenditures	3,739,487	2,567,317	1,172,170
Net operating transfers	25,000	-	(25,000)
Net change in fund balance	<u>(2,095,361)</u>	<u>(1,405,771)</u>	<u>689,590</u>
<b>Park and Capital Development</b>			
Total revenues	51,500	523,888	472,388
Total expenditures	-	548,718	(548,718)
Net change in fund balance	<u>51,500</u>	<u>(24,830)</u>	<u>(76,330)</u>
<b>Air Quality Improvement</b>			
Total revenues	134,104	220,233	86,129
Total expenditures	218,550	205,018	13,532
Net operating transfers	-	(106,206)	106,206
Net change in fund balance	<u>(84,446)</u>	<u>(90,991)</u>	<u>178,803</u>
<b>Law Enforcement</b>			
Total revenues	531,819	930,210	398,391
Total expenditures	712,676	794,282	(81,606)
Net operating transfers	(16,468)	(41,742)	(25,274)
Net change in fund balance	<u>(197,325)</u>	<u>94,186</u>	<u>291,511</u>
<b>Child Development</b>			
Total revenues	4,395,594	4,394,401	(1,193)
Total expenditures	4,392,365	4,467,969	(75,604)
Net change in fund balance	<u>3,229</u>	<u>(73,568)</u>	<u>(76,797)</u>
<b>Housing and Community Development</b>			
Total revenues	1,189,500	1,323,337	133,837
Total expenditures	1,174,212	1,300,128	(125,916)
Net change in fund balance	<u>15,288</u>	<u>23,209</u>	<u>7,921</u>
<b>Employment and Training</b>			
Total revenues	386,013	411,959	25,946
Total expenditures	386,013	411,959	(25,946)
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
<b>Measure "M"</b>			
Total revenues	(6,789,080)	1,183,537	7,972,617
Total expenditures	7,152,299	1,627,563	(5,524,736)
Net operating transfers	(87,582)	-	87,582
Net change in fund balance	<u>(14,028,961)</u>	<u>(444,026)</u>	<u>13,584,935</u>

City of La Habra, California

Combining Schedule of Revenues and Expenditures—Budget and Actual—Nonmajor  
 Governmental Funds, Continued  
 Year Ended June 30, 2005

	Budget	Actual	Variance from Final Budget Over (Under)
<b>Public Safety Augmentation</b>			
Total revenues	\$ 198,000	\$ 230,563	\$ 32,563
Total expenditures	209,432	159,252	50,180
Net operating transfers	(16,468)	(5,141)	11,327
Net change in fund balance	<u>(27,900)</u>	<u>66,170</u>	<u>94,070</u>
<b>Redevelopment Debt Service</b>			
Total revenues	1,493,202	1,674,448	181,246
Total expenditures	1,069,890	1,198,975	(129,085)
Net operating transfers	(423,312)	(443,805)	(20,493)
Net change in fund balance	<u>-</u>	<u>31,668</u>	<u>31,668</u>
<b>Other Debt Service</b>			
Total revenues	-	916	916
Total expenditures	68,637	68,637	-
Net operating transfers	68,637	68,637	-
Net change in fund balance	<u>-</u>	<u>916</u>	<u>916</u>
<b>Low-Moderate Income Housing</b>			
Total revenues	328,300	368,887	40,587
Total expenditures	466,604	278,384	188,220
Net change in fund balance	<u>(138,304)</u>	<u>90,503</u>	<u>228,807</u>

City of La Habra, California

Combining Statement of Net Assets—Nonmajor Enterprise Funds  
June 30, 2005

<b>Assets</b>	Refuse	Children's Museum	Mobile Home Lease	Total
<b>Current Assets</b>				
Cash and investments	\$ 2,627	\$ 160	\$ 1,321,082	\$ 1,323,869
Accounts receivable, net	282,881	43,826	4,716	331,423
Prepaid items	-	-	21,536	21,536
Due from other governments	6,823	53,375	-	60,198
<b>Total current assets</b>	<u>292,331</u>	<u>97,361</u>	<u>1,347,334</u>	<u>1,737,026</u>
Noncurrent Assets, property, plant and equipment, net	371,446	594,330	1,152,775	2,118,551
<b>Total assets</b>	<u>\$ 663,777</u>	<u>\$ 691,691</u>	<u>\$ 2,500,109</u>	<u>\$ 3,855,577</u>
<b>Liabilities</b>				
<b>Liabilities</b>				
Accounts payable	\$ 594,012	\$ 5,267	\$ 20,754	\$ 620,033
Accrued liabilities	6,465	19,419	1,564	27,448
Due to other funds	-	29,475	-	29,475
Advances from other funds	-	-	2,000,000	2,000,000
<b>Total liabilities</b>	<u>600,477</u>	<u>54,161</u>	<u>2,022,318</u>	<u>2,676,956</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	371,446	594,330	1,152,775	2,118,551
Unrestricted	(308,146)	43,200	(674,984)	(939,930)
<b>Total net assets</b>	<u>\$ 63,300</u>	<u>\$ 637,530</u>	<u>\$ 477,791</u>	<u>\$ 1,178,621</u>

City of La Habra, California

Combining Statement of Revenues, Expenses and Changes in Net Assets—Nonmajor  
Enterprise Funds  
Year Ended June 30, 2005

	Refuse	Children's Museum	Mobile Home Lease	Total
<b>Operating revenues:</b>				
Refuse billings	\$ 2,145,009	\$ -	\$ -	\$ 2,145,009
Charges for services	-	386,460	2,224,906	2,611,366
Intergovernmental	24,384	112,333	-	136,717
<b>Total operating revenues</b>	<b>2,169,393</b>	<b>498,793</b>	<b>2,224,906</b>	<b>4,893,092</b>
<b>Operating expenses:</b>				
Contractual services	1,876,844	44,722	573,261	2,494,827
Wages and fringe benefits	47,183	331,732	-	378,915
Equipment maintenance	-	5,988	-	5,988
Materials and supplies	35,689	-	5,274	40,963
Utilities	-	26,668	-	26,668
Depreciation and amortization	443	34,733	7,805	42,981
Administration	74,194	57,535	1,613,558	1,745,287
<b>Total operating expenses</b>	<b>2,034,353</b>	<b>501,378</b>	<b>2,199,898</b>	<b>4,735,629</b>
<b>Operating income (loss)</b>	<b>135,040</b>	<b>(2,585)</b>	<b>25,008</b>	<b>157,463</b>
<b>Nonoperating revenues (expenses):</b>				
Interest income	763	-	-	763
Gain on sale of investments	650	300	3,880	4,830
Interest (expense)	-	(2,935)	-	(2,935)
<b>Total nonoperating revenues (expenses)</b>	<b>1,413</b>	<b>(2,635)</b>	<b>3,880</b>	<b>2,658</b>
<b>Income (loss) before transfers</b>	<b>136,453</b>	<b>(5,220)</b>	<b>28,888</b>	<b>160,121</b>
Transfers in	-	85,000	-	85,000
Transfers out	(71,818)	-	-	(71,818)
<b>Change in net assets</b>	<b>64,635</b>	<b>79,780</b>	<b>28,888</b>	<b>173,303</b>
Total net assets, beginning	(1,335)	557,750	448,903	1,005,318
Total net assets, ending	\$ 63,300	\$ 637,530	\$ 477,791	\$ 1,178,621

City of La Habra

Combining Statement of Cash Flows—Nonmajor Enterprise Funds  
Year Ended June 30, 2005

	Refuse	Children's Museum	Mobile Home Lease	Totals
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$ 2,140,494	\$ 343,848	\$ 2,222,437	\$ 4,706,779
Receipts from interfund services	23,197	79,319	-	102,516
Payments to suppliers	(1,933,264)	(28,326)	(2,340,347)	(4,301,937)
Cash paid for internal services provided	(101,763)	(194,551)	(75,641)	(371,955)
Payments to employees	(38,978)	(246,234)	-	(285,212)
<b>Net cash provided by (used in) operating activities</b>	<b>89,686</b>	<b>(45,944)</b>	<b>(193,551)</b>	<b>(149,809)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to other funds	(71,818)	-	-	(71,818)
Transfers from other funds	-	85,000	-	85,000
Advances to other funds	-	-	-	-
Due to other funds	-	(36,421)	2,000,000	1,963,579
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(71,818)</b>	<b>48,579</b>	<b>2,000,000</b>	<b>1,976,761</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchases of capital assets	(354,172)	-	(848,369)	(1,202,541)
Proceeds from sale of capital assets	-	-	-	-
Proceeds from capital debt	-	-	-	-
Principal paid on capital debt	-	-	-	-
Interest paid on capital debt	-	(2,935)	-	(2,935)
<b>Net cash (used in) capital and related financing activities</b>	<b>(354,172)</b>	<b>(2,935)</b>	<b>(848,369)</b>	<b>(1,205,476)</b>
<b>Cash Flows from Investing Activities</b>				
Interest on investments	763	-	-	763
Sale of short-term investments	650	300	3,880	4,830
<b>Net cash provided by investing activities</b>	<b>1,413</b>	<b>300</b>	<b>3,880</b>	<b>5,593</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(334,891)</b>	<b>-</b>	<b>961,960</b>	<b>627,069</b>
Cash and Cash Equivalents, beginning of year	337,518	160	359,122	696,800
Cash and Cash Equivalents, end of year	\$ 2,627	\$ 160	\$ 1,321,082	\$ 1,323,869

City of La Habra

Combining Statement of Cash Flows—Nonmajor Enterprise Funds, Continued  
Year Ended June 30, 2005

	Refuse	Children's Museum	Mobile Home Lease	Totals
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>				
Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 135,040	\$ (2,585)	\$ 25,008	\$ 157,463
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	443	34,733	7,805	42,981
Change in assets and liabilities:				
(Increase) in receivables	(5,702)	(75,626)	(2,469)	(83,797)
(Increase) in prepaid items	-	-	(3,110)	(3,110)
(Decrease) in accrued liabilities and accounts payable	(40,095)	(2,466)	(220,785)	(263,346)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 89,686</b>	<b>\$ (45,944)</b>	<b>\$ (193,551)</b>	<b>\$ (149,809)</b>

See Notes to Financial Statements.

City of La Habra, California

Combining Statement of Net Assets—Internal Service Funds  
June 30, 2005

Assets	Fleet Management	Risk Management	Information System	Civic Improvement Authority
<b>Current Assets</b>				
Cash and investments	\$ 516,221	\$ 1,752,754	\$ 1,051,936	\$ 55,806
Prepaid items	-	-	-	-
Due from other governments	-	9,585	-	-
Advances to other funds	-	-	-	13,571,214
Inventory	1,639	-	-	-
<b>Total current assets</b>	<b>517,860</b>	<b>1,762,339</b>	<b>1,051,936</b>	<b>13,627,020</b>
<b>Noncurrent Assets</b>				
Cash and investments with fiscal agents	-	-	-	5,624,503
Deferred charges	-	-	-	982,739
Capital assets, net of accumulated depreciation	-	-	97,319	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>97,319</b>	<b>6,607,242</b>
<b>Total assets</b>	<b>\$ 517,860</b>	<b>\$ 1,762,339</b>	<b>\$ 1,149,255</b>	<b>\$ 20,234,262</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 54,539	\$ 25,811	\$ 54,406	\$ -
Accrued liabilities	14,964	2,157,334	14,802	-
Accrued interest	-	-	-	160,764
Compensated absences	-	-	-	-
Due to other funds	-	-	-	5,553,739
Capital lease obligations, current	-	-	15,352	-
Certificates of participation, current	-	-	-	207,740
Water revenue bond, current	-	-	-	150,000
<b>Total current liabilities</b>	<b>69,503</b>	<b>2,183,145</b>	<b>84,560</b>	<b>6,072,243</b>
<b>Noncurrent Liabilities</b>				
Certificates of participation	-	-	-	5,378,451
Water revenue bond	-	-	-	7,205,000
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,583,451</b>
<b>Total liabilities</b>	<b>69,503</b>	<b>2,183,145</b>	<b>84,560</b>	<b>18,655,694</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	-	-	81,967	-
Unrestricted (deficit)	448,357	(420,806)	982,728	1,578,568
<b>Total net assets (deficit)</b>	<b>\$ 448,357</b>	<b>\$ (420,806)</b>	<b>\$ 1,064,695</b>	<b>\$ 1,578,568</b>

Replacement Cost	Employee Benefit	Total
\$ 1,634,846	\$ 1,643,284	\$ 6,654,847
-	-	-
-	-	9,585
-	-	13,571,214
-	-	1,639
<u>1,634,846</u>	<u>1,643,284</u>	<u>20,237,285</u>
-	-	5,624,503
-	-	982,739
1,515,376	-	1,612,695
<u>1,515,376</u>	<u>-</u>	<u>8,219,937</u>
<u>\$ 3,150,222</u>	<u>\$ 1,643,284</u>	<u>\$ 28,457,222</u>

\$ 257,408	\$ -	\$ 392,164
-	-	2,187,100
-	-	160,764
-	1,643,284	1,643,284
-	-	5,553,739
-	-	15,352
-	-	207,740
-	-	150,000
<u>257,408</u>	<u>1,643,284</u>	<u>10,310,143</u>

-	-	5,378,451
-	-	7,205,000
-	-	12,583,451
<u>257,408</u>	<u>1,643,284</u>	<u>22,893,594</u>

1,515,376	-	1,597,343
1,377,438	-	3,966,285
<u>\$ 2,892,814</u>	<u>\$ -</u>	<u>\$ 5,563,628</u>

City of La Habra, California

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets—Internal Service Funds  
Year Ended June 30, 2005

	Fleet Management	Risk Management	Information System	Civic Improvement Authority
Operating revenues:				
Charges for services	\$ 904,350	\$ 1,753,732	\$ 601,712	\$ -
<b>Total operating revenues</b>	<b>904,350</b>	<b>1,753,732</b>	<b>601,712</b>	<b>-</b>
Operating expenses:				
Contractual services	110,350	192,879	36,045	11,189
Wages and fringe benefits	273,162	243,490	227,536	-
Benefits and claims	-	989,771	-	-
Compensated absences	-	-	-	-
Equipment and maintenance	14,296	-	73,438	-
Materials and supplies	354,604	-	64,751	-
Capital outlay	24,990	-	-	-
Utilities	-	-	220,201	-
Depreciation and amortization	-	-	29,050	51,297
Administration	-	562,865	2,859	7,069
<b>Total operating expenses</b>	<b>777,402</b>	<b>1,989,005</b>	<b>653,880</b>	<b>69,555</b>
<b>Operating income (loss)</b>	<b>126,948</b>	<b>(235,273)</b>	<b>(52,168)</b>	<b>(69,555)</b>
Nonoperating revenues (expenses):				
Interest income	13,020	49,118	29,062	435,003
Interest (expense)	-	-	(1,955)	(597,905)
Gain on sale of equipment	-	-	-	-
(Loss) on sale of investment	(1,500)	(4,537)	(2,734)	(429)
<b>Total net nonoperating revenues (expenses)</b>	<b>11,520</b>	<b>44,581</b>	<b>24,373</b>	<b>(163,331)</b>
Income (loss) before transfers	138,468	(190,692)	(27,795)	(232,886)
Transfers in	-	-	16,163	322,244
Transfers (out)	-	-	-	-
<b>Change in net assets</b>	<b>138,468</b>	<b>(190,692)</b>	<b>(11,632)</b>	<b>89,358</b>
Total net assets, beginning	309,889	(230,114)	1,076,327	1,489,210
Total net assets, ending	\$ 448,357	\$ (420,806)	\$ 1,064,695	\$ 1,578,568

Replacement Cost	Employee Benefit	Totals
\$ 556,112	\$ -	\$ 3,815,906
556,112	-	3,815,906
1,593	-	352,056
6,660	-	750,848
-	-	989,771
-	64,518	64,518
-	-	87,734
-	-	419,355
2,550	-	27,540
-	-	220,201
308,194	-	388,541
4,378	-	577,171
323,375	64,518	3,877,735
232,737	(64,518)	(61,829)
48,687	58,441	633,331
(7,963)	-	(607,823)
20,493	-	20,493
(5,035)	(6,374)	(20,609)
56,182	52,067	25,392
288,919	(12,451)	(36,437)
161,703	12,451	512,561
-	-	-
450,622	-	476,124
2,442,192	-	5,087,504
\$ 2,892,814	\$ -	\$ 5,563,628

City of La Habra, California

Combining Statement of Cash Flows—Internal Service Funds  
Year Ended June 30, 2005

	Fleet Management	Risk Management	Information System	Civic Improvement Authority
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$ -	\$ -	\$ -	\$ -
Receipts from internal services provided	904,350	1,753,732	601,713	-
Payments to suppliers	(487,580)	(1,430,269)	(395,611)	(8,614)
Cash paid for internal services provided	(18,892)	(5,000)	-	(10,812)
Payments to employees	(270,790)	(223,650)	(223,347)	-
<b>Net cash provided by (used in) operating activities</b>	<b>127,088</b>	<b>94,813</b>	<b>(17,245)</b>	<b>(19,426)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	16,163	322,244
Advances to other funds	-	-	-	(7,155,000)
Due to other funds	-	-	-	5,261,342
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>16,163</b>	<b>(1,571,414)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchases of capital assets	-	-	(25,159)	-
Principal paid on capital debt	-	-	(22,288)	(342,740)
Interest paid on capital debt	-	-	(1,955)	(597,905)
<b>Net cash (used in) capital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>(49,402)</b>	<b>(940,645)</b>
<b>Cash Flows from Investing Activities</b>				
(Purchase) sale of short-term investments	(1,500)	(4,537)	(2,734)	2,093,195
Interest on investments	13,020	49,118	29,062	435,003
<b>Net cash provided by investing activities</b>	<b>11,520</b>	<b>44,581</b>	<b>26,328</b>	<b>2,528,198</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>138,608</b>	<b>139,394</b>	<b>(24,156)</b>	<b>(3,287)</b>
Cash and Cash Equivalents, beginning of year	377,613	1,613,360	1,076,092	59,093
Cash and Cash Equivalents, end of year	\$ 516,221	\$ 1,752,754	\$ 1,051,936	\$ 55,806
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating income (loss)	\$ 126,948	\$ (235,273)	\$ (52,168)	\$ (69,555)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	29,050	51,297
Net gain on sale of assets	-	-	-	-
Change in assets and liabilities:				
(Increase) in receivables	-	(9,585)	-	-
Decrease in inventory	62	-	-	-
(Increase) in deferred charges	-	-	-	-
Decrease in prepaid items	-	-	-	2,577
Increase (decrease) in accrued liabilities and accounts payable	78	339,671	5,873	(3,745)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 127,088</b>	<b>\$ 94,813</b>	<b>\$ (17,245)</b>	<b>\$ (19,426)</b>

Replacement Cost	Employee Benefit	Total
\$ 20,493	\$ -	\$ 20,493
556,110	-	3,815,905
243,229	-	(2,078,845)
(110)	-	(34,814)
(7,116)	-	(724,903)
<u>812,606</u>	<u>-</u>	<u>997,836</u>
-	-	-
161,703	12,451	512,561
-	-	(7,155,000)
-	-	5,261,342
<u>161,703</u>	<u>12,451</u>	<u>(1,381,097)</u>
(677,586)	-	(702,745)
(134,469)	-	(499,497)
(7,963)	-	(607,823)
<u>(820,018)</u>	<u>-</u>	<u>(1,810,065)</u>
(5,035)	(6,374)	2,073,015
48,687	58,441	633,331
<u>43,652</u>	<u>52,067</u>	<u>2,706,346</u>
197,943	64,518	513,020
1,436,903	1,578,766	6,141,827
<u>\$ 1,634,846</u>	<u>\$ 1,643,284</u>	<u>\$ 6,654,847</u>
\$ 232,737	\$ (64,518)	\$ (61,829)
308,194	-	388,541
20,493	-	20,493
-	-	(9,585)
-	-	62
-	-	-
74,999	-	77,576
176,183	64,518	582,578
<u>\$ 812,606</u>	<u>\$ -</u>	<u>\$ 997,836</u>

City of La Habra, California

Schedule of Changes in Assets and Liabilities—Agency Fund—Public Deposits  
Year Ended June 30, 2005

Assets	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Cash and Investments	\$ 7,871,232	\$ 1,678,379	\$ 512,182	\$ 9,037,429
<b>Total assets</b>	<b>\$ 7,871,232</b>	<b>\$ 1,678,379</b>	<b>\$ 512,182</b>	<b>\$ 9,037,429</b>
<b>Liabilities</b>				
Accounts Payable	\$ 4,165	\$ 710,395	\$ 293,009	\$ 421,551
Accrued Liabilities	17,238	519,400	519,156	17,482
Deposits	7,849,829	1,078,110	329,543	8,598,396
<b>Total liabilities</b>	<b>\$ 7,871,232</b>	<b>\$ 2,307,905</b>	<b>\$ 1,141,708</b>	<b>\$ 9,037,429</b>

STATISTICAL SECTION

City of La Habra, California

Government-wide Expenses—by Function  
(in thousands)

Governmental activities:

Fiscal Year	General Government	Public Safety	Public Works	Community Development	Intergovernmental	Community Services	Manpower	Interest	Total
2002-03	4,366	16,255	5,165	3,397	147	6,955	1,790	1,236	39,311
2003-04	4,908	17,674	5,513	2,813	406	6,950	651	1,229	40,144
2004-05	3,740	19,177	5,525	3,401	393	7,150	412	976	40,774

Business-type activities:

Fiscal Year	Water	Sewer	Housing Authority	Other	Total
2002-03	7,111	607	1,621	4,900	14,239
2003-04	7,242	889	1,677	4,988	14,796
2004-05	7,199	995	1,701	4,764	14,659

Note: The new schedule recommended as part of the implementation of GASB 34.

Source: City of La Habra, Department of Finance

Not covered by independent auditor's report.

City of La Habra, California

Government-wide Revenues  
(in thousands)

Fiscal Year	Program Revenues			General Revenues				Total
	Charges for services	Restricted operating grants and contributions	Restricted capital grants and contributions	Unrestricted grants and contributions	Taxes	Unrestricted investment earnings	Other	
2002-03	17,814	7,750	3,904	3,667	22,091	2,012	1,309	58,547
2003-04	19,943	6,927	3,581	2,800	22,367	545	1,131	57,294
2004-05	20,543	9,667	2,618	1,697	27,303	791	796	63,415

Note: The new schedule recommended as part of the implementation of GASB 34.

Source: City of La Habra, Department of Finance

Not covered by independent auditor's report.

**CITY OF LA HABRA, CALIFORNIA**

**GENERAL GOVERNMENTAL EXPENDITURES—BY FUNCTION  
GOVERNMENTAL FUNDS  
(GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECTS FUNDS)  
Last Ten Fiscal Years**

Fiscal Year	General Government	Public Safety	Public Works	Community Services	Community Development
1995-96	\$ 1,380,310	\$ 12,588,112	\$ 3,340,942	\$ 2,636,290	\$ 555,094
1996-97	1,834,140	12,265,227	3,116,882	4,465,577	2,647,238
1997-98	2,817,844	12,567,536	3,656,699	4,509,494	4,417,555
1998-99	3,980,545	13,805,699	4,101,801	5,053,110	3,196,279
1999-00	2,621,294	14,204,550	4,378,659	5,717,541	3,144,479
2000-01	3,261,507	14,803,728	5,072,754	5,562,216	3,069,258
2001-02	3,145,448	16,125,072	7,204,643	6,316,107	3,497,439
2002-03	3,194,518	16,131,193	4,917,917	6,809,351	5,831,713
2003-04	4,019,240	17,596,969	4,563,727	6,826,434	2,805,036
2004-05	3,794,454	19,008,603	4,348,452	7,006,481	3,363,698

Source: City of La Habra, Department of Finance

Manpower	Non- Departmental	Capital Outlays	Intergov- ernmental	Debt Service	Totals
\$ 1,360,828	\$ -	\$ 6,553,100	\$ -	\$ 843,544	\$ 28,726,698
1,640,765	-	3,401,658	-	1,065,192	26,608,363
1,357,743	-	1,341,148	-	1,077,787	28,105,742
1,470,065	-	422,868	-	1,155,712	31,017,773
1,565,853	-	1,251,102	-	1,150,319	34,104,708
1,831,445	-	618,168	-	523,369	33,039,505
2,253,621	-	1,349,260	-	1,195,707	36,568,050
1,790,020	-	3,707,304	147,666	1,474,971	44,004,653
651,364	-	6,577,885	405,876	1,499,377	44,945,908
411,959	-	15,079,158	392,850	1,498,477	54,904,132

City of La Habra, California

General Governmental Revenues—By Source  
 Governmental Funds  
 (General, Special Revenue, Debt Service and Capital Projects Funds)  
 Last Ten Fiscal Years

Fiscal Year	Taxes	Inter-governmental	Licenses and Permits	Charges for Services	Fines, Forfeitures and Penalties	Use of Money and Property	Gain on Investment	Total
1995–96	13,169,262	10,157,641	530,263	1,055,789	370,014	3,000,795	-	28,283,764
1996–97	13,855,065	9,641,783	708,485	2,570,059	297,271	2,887,201	-	29,959,864
1997–98	14,015,333	10,246,071	819,074	3,249,013	272,106	2,515,913	-	31,117,510
1998–99	14,316,255	10,608,684	1,187,361	3,936,526	488,715	2,684,236	-	33,221,777
1999–00	16,044,255	10,626,855	1,315,468	3,778,024	492,198	3,183,800	-	35,440,600
2000–01	17,519,879	12,285,889	1,763,295	3,662,139	514,696	1,973,766	-	37,719,664
2001–02	18,127,389	16,190,323	2,503,660	4,028,644	511,425	2,780,134	-	44,141,575
2002–03	20,124,037	15,511,486	2,551,969	4,171,819	489,987	1,332,194	449,915	44,631,407
2003–04	20,785,422	13,172,100	2,659,088	4,072,499	557,614	875,324	-	42,122,047
2004–05	24,979,404	13,939,559	2,609,181	4,111,510	624,665	1,201,020	-	47,465,339

Source: City of La Habra, Department of Finance

**CITY OF LA HABRA, CALIFORNIA**

**PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
(PER \$100 OF ASSESSED VALUATION)  
Last Ten Fiscal Years**

---

Fiscal Year	Basic Levy	School System	Metropolitan Water District	County Flood and Sanitation Districts	Other	Totals
1995-96	1.0000%	0.0000%	0.0089%	0.0004%	0.0001%	1.0094%
1996-97	1.0000%	0.0000%	0.0089%	0.0000%	0.0001%	1.0090%
1997-98	1.0000%	0.0000%	0.0089%	0.0000%	0.0000%	1.0089%
1998-99	1.0000%	0.0000%	0.0089%	0.0000%	0.0000%	1.0089%
1999-00	1.0000%	0.0000%	0.0089%	0.0000%	0.0000%	1.0089%
2000-01	1.0000%	0.0000%	0.0089%	0.0000%	0.0000%	1.0089%
2001-02	1.0000%	0.01597%	0.0077%	0.0000%	0.0000%	1.02367%
2002-03	1.0000%	0.05970%	0.00670%	0.0000%	0.0000%	1.06641%
2003-04	1.0000%	0.05671%	0.00610%	0.0000%	0.0000%	1.06281%
2004-05	1.0000%	0.05099%	0.00580%	0.0000%	0.0000%	1.05679%

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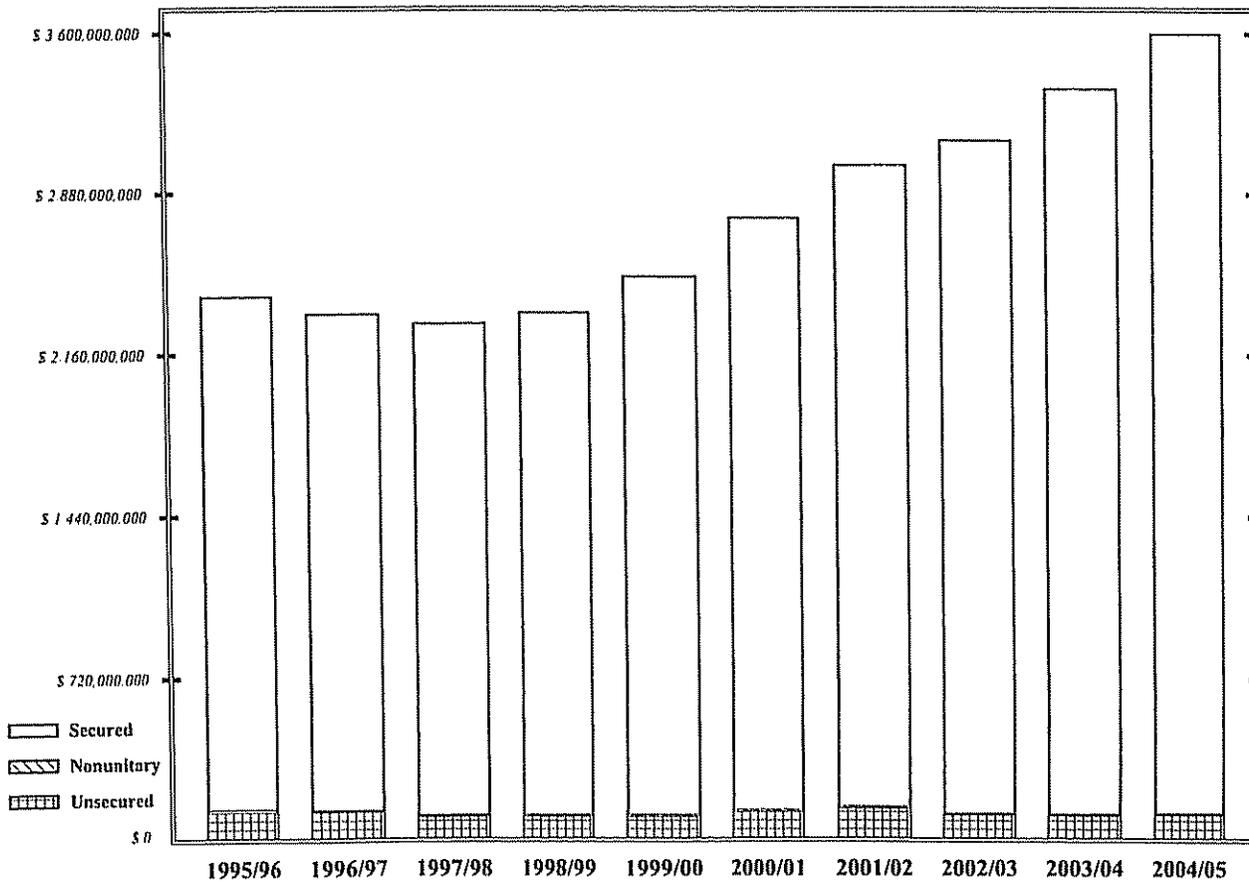
Source: Orange County Auditor-Controller

# THE CITY OF LA HABRA

## NET TAXABLE ASSESSED VALUES - TEN YEAR HISTORY

Lien Year:	1995/96	1996/97	1997/98	1998/99	1999/00
Secured	\$ 2,279,660,190	\$ 2,207,380,345	\$ 2,187,892,960	\$ 2,239,212,149	\$ 2,402,150,344
Nonunitary	\$ 11,779,970	\$ 5,562,641	\$ 5,673,121	\$ 2,327,998	\$ 2,152,740
Unsecured	\$ 125,725,746	\$ 124,607,886	\$ 103,060,866	\$ 103,742,789	\$ 102,575,166
Net Total AV	\$ 2,417,165,906	\$ 2,337,550,872	\$ 2,296,626,947	\$ 2,345,282,936	\$ 2,506,878,250

Lien Year:	2000/01	2001/02	2002/03	2003/04	2004/05
Secured	\$ 2,643,872,205	\$ 2,865,047,761	\$ 3,006,850,092	\$ 3,240,702,203	\$ 3,483,246,887
Nonunitary	\$ 1,962,428	\$ 1,999,901	\$ 2,067,670	\$ 2,126,830	\$ 3,620,555
Unsecured	\$ 123,622,193	\$ 140,161,962	\$ 110,654,038	\$ 107,812,811	\$ 111,174,645
Net Total AV	\$ 2,769,456,826	\$ 3,007,209,624	\$ 3,119,571,800	\$ 3,350,641,844	\$ 3,598,042,087



Source: HdL Coren & Cone, Orange County Assessor Combined Tax Rolls NC508091607 Page 1  
 This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone.

# THE CITY OF LA HABRA

## 2004/05 CITY ROLL SUMMARY

### Taxable Property Values

	Secured Taxable	Nonunitary Utilities	Unsecured Roll
<b>Parcels</b>	14,153	63	2,154
<b>TRAs</b>	76	10	35
<b>Values</b>			
Land	\$ 1,907,900,896	\$ 3,299,158	\$ 4,990,034
Improvements	\$ 1,562,069,796	\$ 204,391	\$ 36,906,045
Personal Property	\$ 35,182,858	\$ 117,006	\$ 71,474,217
Fixtures	\$ 10,969,479	\$ 0	\$ 0
Aircraft*		\$ 0	\$ 0
<b>Total Value*</b>	<b>\$ 3,516,123,029</b>	<b>\$ 3,620,555</b>	<b>\$ 113,370,296</b>
<b>Exemptions</b>			
Real Estate	\$ 30,460,092	\$ 0	\$ 3,395,896
Personal Property	\$ 0	\$ 0	
Fixtures	\$ 0	\$ 0	
Aircraft*		\$ 0	\$ 0
Homeowners*	\$ 60,169,387	\$ 0	\$ 313,600
<b>Total Exemptions*</b>	<b>\$ 30,460,092</b>	<b>\$ 0</b>	<b>\$ 3,395,896</b>
<b>Total Net Value*</b>	<b>\$ 3,485,662,937</b>	<b>\$ 3,620,555</b>	<b>\$ 109,974,400</b>

Combined Values*	Total
<b>Total Values</b>	<b>\$ 3,633,113,880</b>
<b>Total Exemptions</b>	<b>\$ 33,855,988</b>
<b>Net Total Values</b>	<b>\$ 3,599,257,892</b>
<b>Net Aircraft Values</b>	<b>\$ 0</b>

*Notes:*  
 Totals Do Not Include Aircraft Values Or Exemptions  
 Homeowners Exemption Not Included In Total Exemptions

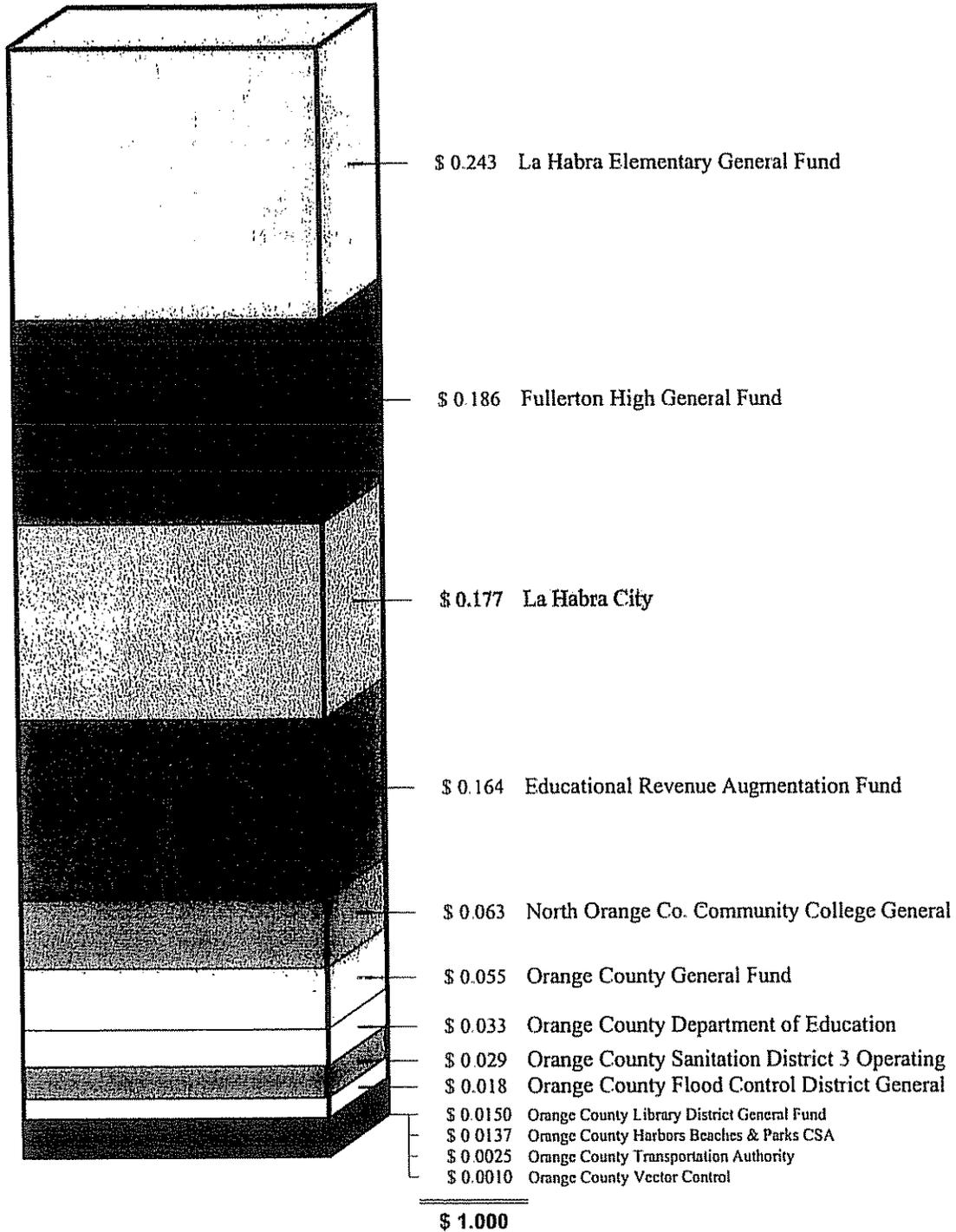
Source: HdL Coren & Cone, Orange County Assessor 2004/05 Combined Tax Rolls

NCS08091607

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# THE CITY OF LA HABRA

## PROPERTY TAX DOLLAR BREAKDOWN



ATI (Annual Tax Increment) Ratios For Tax Rate Area 06-001, Excluding Redevelopment Factors & Additional Debt Service  
 Source: HdL Coren & Cone, Orange County Assessor 2004/05 Annual Tax Increment Tables NC508091607 Page 1  
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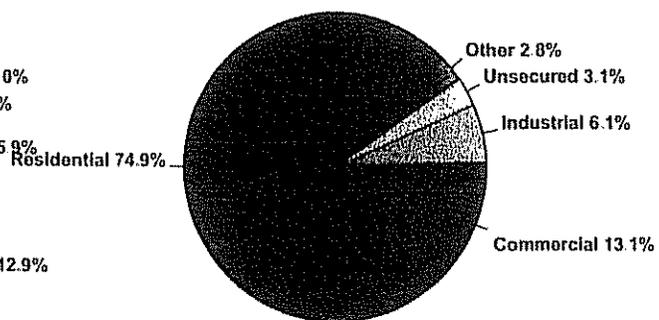
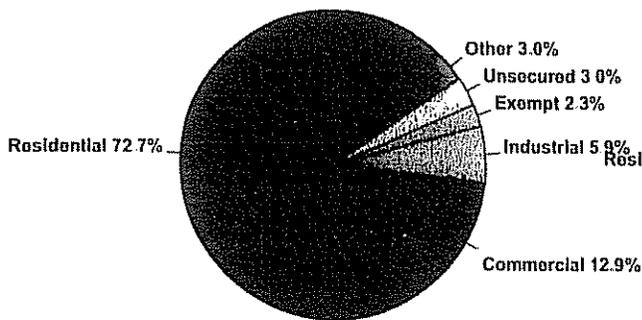
# THE CITY OF LA HABRA

## USE CATEGORY SUMMARY, 2004/05

<b>BASIC PROPERTY VALUE TABLE</b>			
CATEGORY	PARCELS	ASSESSED VALUE	NET TAXABLE VALUE
Residential	13,265	\$ 2,705,565,787 72.7%	\$ 2,697,043,410 74.9%
Commercial	491	\$ 481,345,680 12.9%	\$ 470,826,383 13.1%
Industrial	180	\$ 219,597,848 5.9%	\$ 219,273,760 6.1%
Recreational	2	\$ 3,296,963 0.1%	\$ 3,296,963 0.1%
Institutional	31	\$ 17,930,028 0.5%	\$ 6,887,282 0.2%
Miscellaneous	85	\$ 62,055,168 1.7%	\$ 62,003,584 1.7%
Vacant Land	99	\$ 26,331,555 0.7%	\$ 26,331,555 0.7%
Exempt	287	\$ 86,694,859 2.3%	\$ 0 0.0%
SBE Nonunitary	[63]	\$ 3,620,555 0.1%	\$ 3,620,555 0.1%
Unsecured	[2,154]	\$ 113,370,296 3.0%	\$ 109,974,400 3.1%
<b>TOTALS</b>	<b>14,440</b>	<b>\$ 3,719,808,739</b>	<b>\$ 3,599,257,892</b>

**ASSESSED VALUE**

**NET TAXABLE VALUE**



Source: HdL, Coren & Cone, Orange County Assessor 2004/05 Combined Tax Rolls  
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# THE CITY OF LA HABRA

## 2004/05 TOP TEN PROPERTY OWNERS

Top Property Owners Based On Gross Assessed Values

Owner	Secured		Unsecured		Combined		Primary Use & Primary Agency
	Parcels	Value	Parcels	Value	Value	Portion Of City	
1) American Food & Drug Inc.	3	\$ 70,627,383			\$ 70,627,383	1.90%	Industrial CRA ALPHA 4 1995
2) La Habra Associates LLC	9	\$ 39,368,164			\$ 39,368,164	1.06%	Commercial CRA DELTA 1 1987
3) La Habra Westridge Partners/Wal Mart Real Estate	11	\$ 35,141,222			\$ 35,141,222	0.94%	Commercial TD #1
4) La Habra Westridge Partners	21	\$ 34,513,624			\$ 34,513,624	0.93%	Commercial TD #1
5) NF La Habra Investors	242	\$ 26,077,864			\$ 26,077,864	0.70%	Residential TD #1
6) Ralphs Grocery Company	1	\$ 22,169,885	1	\$ 748,793	\$ 22,918,678	0.62%	Miscellaneous CRA ALPHA 4 1995
7) Essex Portfolio	1	\$ 22,345,648			\$ 22,345,648	0.60%	Residential TD #1
8) Fullerton Joint Union High School District	6	\$ 22,033,575			\$ 22,033,575	0.59%	Miscellaneous TD #1
9) City of La Habra	82	\$ 20,909,250			\$ 20,909,250	0.56%	Miscellaneous TD #1
10) No S. Myung	1	\$ 17,126,861			\$ 17,126,861	0.46%	Commercial CRA DELTA 1 1987
<b>Top Ten Totals</b>	<b>377</b>	<b>\$ 310,313,476</b>	<b>1</b>	<b>\$ 748,793</b>	<b>\$ 311,062,269</b>	<b>8.36%</b>	
<b>City Totals</b>	<b>\$ 3,606,438,443</b>		<b>\$ 113,370,296</b>		<b>\$ 3,719,808,739</b>		

Source: HdL Coren & Cone, Orange County Assessor 2004/05 Combined Tax Rolls  
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**THE CITY OF LA HABRA**  
**2004 TOP PROPERTY OWNER SUMMARY**

Owner (Number of Parcels)	Assessed Value
1 American Food & Drug Inc. (3)	\$ 70,627,383
2 La Habra Associates LLC (9)	\$ 39,368,164
3 La Habra Westridge Partners/Wal Mart Real Estate (11)	\$ 35,141,222
4 La Habra Westridge Partners (21)	\$ 34,513,624
5 NF La Habra Investors (242)	\$ 26,077,864
6 Ralphs Grocery Company (2)	\$ 22,918,678
7 Essex Portfolio (1)	\$ 22,345,648
8 Fullerton Joint Union High School District (6)	\$ 22,033,575
9 City of La Habra (82)	\$ 20,909,250
10 No S. Myung (1)	\$ 17,126,861
11 Clipperton Partners/Lowe's HIW (6)	\$ 17,039,080
12 La Habra School District (14)	\$ 14,560,614
13 Lincoln Center Properties II LLC (1)	\$ 14,175,000
14 Home Depot USA Inc. (5)	\$ 12,357,561
15 Sand Castle Investors (1)	\$ 12,116,672
16 Farnsworth Holdings Limited Partnership (1)	\$ 12,111,580
17 Fred Allen Robison Trust (1)	\$ 12,084,482
18 Richardson Properties II (2)	\$ 11,413,155
19 Vons Companies (1)	\$ 11,142,053
20 Albertsons Inc. (6)	\$ 11,065,743
21 W. Jackson Bransford Trust (11)	\$ 10,733,225
22 Lowell Joint School District (8)	\$ 10,585,250
23 La Habra Housing Authority (2)	\$ 10,537,071
24 Cypress La Habra Associates LLC (2)	\$ 9,738,977
25 Regal Cinemas Inc. (5)	\$ 9,306,736

Source: HdL Coren & Cone, Orange County Assessor 2004/05 Combined Tax Rolls  
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NCS08091607 Page 1

# THE CITY OF LA HABRA

## 2004 TOP PROPERTY TAXPAYERS

Owner (Number of Parcels)	Assessed Value	Est. Total Revenue	Est. RDA 1% Revenue
1 American Food & Drug Inc. (3)	\$ 70,627,383	\$ 324,095.61	\$ 242,958.30
2 La Habra Associates LLC (9)	\$ 39,368,164	\$ 261,522.57	\$ 233,367.81
3 No S. Myung (1)	\$ 17,126,861	\$ 113,708.25	\$ 101,459.70
4 Ralphs Grocery Company (2)	\$ 22,918,678	\$ 102,879.68	\$ 76,264.44
5 Vons Companies (1)	\$ 11,142,053	\$ 98,825.32	\$ 96,448.11
6 W. Jackson Bransford Trust (11)	\$ 10,733,225	\$ 69,606.99	\$ 61,573.69
7 M O L H Care Center (1)	\$ 7,101,716	\$ 67,116.66	\$ 66,196.90
8 Regal Cinemas Inc. (5)	\$ 9,306,736	\$ 60,193.52	\$ 53,308.76
9 Sunny Investment LLC (4)	\$ 8,759,622	\$ 54,382.55	\$ 47,312.49
10 P & O Cold Logistics (7)	\$ 9,116,155	\$ 53,645.84	\$ 45,531.44
11 La Habra Westridge Partners (21)	\$ 34,513,624	\$ 49,844.94	\$ 0.00
12 La Habra De Oro (7)	\$ 4,991,631	\$ 49,829.42	\$ 49,748.27
13 La Habra Westridge Partners/Wal Mart Real Estate (11)	\$ 1,141,222	\$ 48,033.97	\$ 0.00
14 NF La Habra Investors (242)	\$ 26,077,864	\$ 46,108.52	\$ 0.00
15 Parco La Habra Limited (4)	\$ 4,510,358	\$ 37,632.15	\$ 35,982.82
16 Bayport Park La Habra Limited Partnership (1)	\$ 7,792,825	\$ 35,759.79	\$ 26,807.33
17 Donald E. Votaw Trust (5)	\$ 5,339,220	\$ 35,448.02	\$ 31,629.60
18 Casa El Centro (1)	\$ 3,585,578	\$ 34,920.79	\$ 34,675.00
19 SSC Properties Holdings Inc. (2)	\$ 4,346,265	\$ 33,853.03	\$ 31,749.68
20 Essex Portfolio (1)	\$ 22,345,648	\$ 25,521.27	\$ 0.00
21 Lincoln Center Properties II LLC (1)	\$ 14,175,000	\$ 24,973.13	\$ 0.00
22 Eshraghi of Mahmoudian Family Trust (2)	\$ 2,463,427	\$ 23,991.90	\$ 23,823.03
23 Clipperton Partners/Lowe's HIW (6)	\$ 17,039,080	\$ 22,863.73	\$ 0.00
24 Dickenson Commercial Entrepreneur (1)	\$ 2,854,695	\$ 22,235.20	\$ 20,853.69
25 Sand Castle Investors (1)	\$ 12,116,672	\$ 21,423.60	\$ 0.00

The 'Est. Total Revenue' for each owner is the estimated revenue for that owner; the 'Est. RDA 1% Revenue' estimates the revenue apportioned as 1% increment. Although these estimated calculations are performed on a parcel level, county auditor/controllers' offices neither calculate nor apportion revenues at a parcel level.

Source: HdL Coren & Cone, Orange County Assessor 2004/05 Combined Tax Rolls

NC508091607 Page 1

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**THE CITY OF LA HABRA  
2004 TOP PROPERTY TAXPAYERS**

Owner (Number of Parcels)	Assessed Value
1 American Food & Drug Inc. (3)	\$ 70,627,383
2 La Habra Associates LLC (9)	\$ 39,368,164
3 No S. Myung (1)	\$ 17,126,861
4 Ralphs Grocery Company (2)	\$ 22,918,678
5 Vons Companies (1)	\$ 11,142,053
6 W. Jackson Bransford Trust (11)	\$ 10,733,225
7 M O L H Care Center (1)	\$ 7,101,716
8 Regal Cinemas Inc. (5)	\$ 9,306,736
9 Sunny Investment LLC (4)	\$ 8,759,622
10 P & O Cold Logistics (7)	\$ 9,116,155
11 La Habra Westridge Partners (21)	\$ 34,513,624
12 La Habra De Oro (7)	\$ 4,991,631
13 La Habra Westridge Partners/Wal Mart Real Estate (11)	\$ 35,141,222
14 NF La Habra Investors (242)	\$ 26,077,864
15 Parco La Habra Limited (4)	\$ 4,510,358
16 Bayport Park La Habra Limited Partnership (1)	\$ 7,792,825
17 Donald E. Votaw Trust (5)	\$ 5,339,220
18 Casa El Centro (1)	\$ 3,585,578
19 SSC Properties Holdings Inc. (2)	\$ 4,346,265
20 Essex Portfolio (1)	\$ 22,345,648
21 Lincoln Center Properties II LLC (1)	\$ 14,175,000
22 Eshraghi of Mahmoudian Family Trust (2)	\$ 2,463,427
23 Clipperton Partners/Lowe's HIW (6)	\$ 17,039,080
24 Dickenson Commercial Entrepreneur (1)	\$ 2,854,695
25 Sand Castle Investors (1)	\$ 12,116,672

*Source: HdL Coren & Cone, Orange County Assessor 2004/05 Combined Tax Rolls*

*NC508091607*

*Page 1*

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**THE CITY OF LA HABRA  
TOP 25 SALES TAX PRODUCERS  
FOR THE FISCAL YEAR 2004/2005**

<b>Business Name</b>	<b>Business Category</b>
Albertsons	Grocery Stores Liquor
Bed Bath & Beyond	Home Furnishings
Burch Ford	New Motor Vehicle Dealers
Depot Arco	Service Stations
Don Steves Chevrolet	New Motor Vehicle Dealers
G & M Oil	Service Stations
Home Depot	Lumber/Building Materials
Howards Appliances	Radio/Appliance Stores
J W D Angelo	Light Industrial/Printers
James Hardware	Hardware Stores
Kohls	Department Stores
L & J Oil	Service Stations
Lowe's	Lumber/Building Materials
Office Max	Office Supplies/Furniture
Pauls Tv	Radio/Appliance Stores
Rapid Gas	Service Stations
Reaction Supply	Heavy Industrial
Rhaman Arco	Service Stations
Sams Club	Discount Dept Stores
Shepard Brothers	Drugs/Chemicals
Sports Mart	Sporting Goods/Bike Stores
T J Maxx	Family Apparel
Target	Discount Dept Stores
Vons	Grocery Stores Liquor
Wal Mart	Discount Dept Stores

Percent of Fiscal Year Total Paid By Top 25 Accounts = 57.24%

\* Firms Listed Alphabetically

Period: April 2004 Thru March 2005

Source: Hinderliter, de Llamas & Associates. State Board of Equalization

Printed 07/07/2005

City of La Habra, California

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Levy
1994-95	\$ 5,434,994	5,095,521	93.8	\$ 110,994	\$ 5,206,515	95.8	\$ 347,480	6.4
1995-96	5,497,185	5,131,543	93.3	154,005	5,285,548	96.2	403,860	7.3
1996-97	5,071,311	4,916,219	96.9	143,433	5,059,652	99.8	160,562	3.2
1997-98	5,358,636	5,034,663	94.0	64,003	5,098,666	95.1	160,278	3.0
1998-99	5,443,969	5,303,481	97.4	86,275	5,389,756	99.0	140,389	2.6
1999-00	5,827,592	5,746,331	98.6	91,001	5,837,332	100.2	81,261	1.4
2000-01	6,619,210	6,551,895	99.0	125,222	6,677,117	100.9	121,687	1.8
2001-02	7,179,490	7,047,354	98.2	108,436	7,155,790	99.7	102,940	1.4
2002-03	7,132,703	6,996,398	98.1	122,715	7,119,113	99.8	145,971	2.0
2003-04	7,689,081	7,456,853	97.0	179,062	7,635,915	99.3	164,760	2.1
2004-05	7,785,149	7,661,313	98.4	125,325	7,786,638	100.0	188,459	2.4

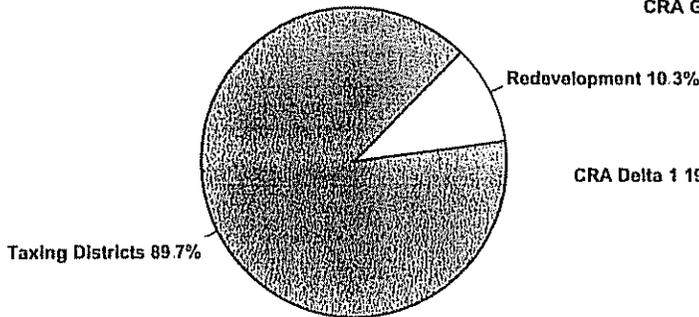
# THE CITY OF LA HABRA

## 2004/05 GROWTH SUMMARY BY AGENCY

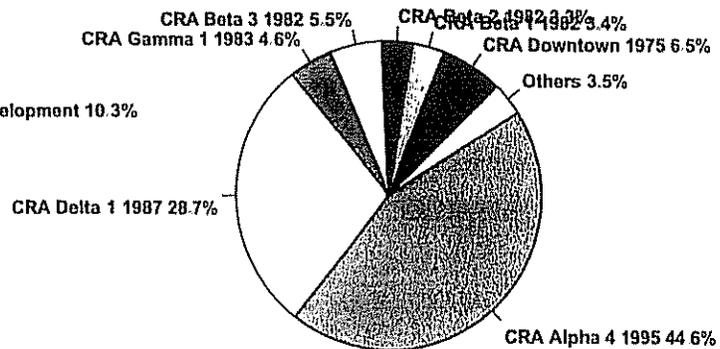
Percentage Growth Of Assessed Values By Agency Between 2003/04 And 2004/05

	County	City	TD #1	CRA Downtown 1975	CRA Beta 1 1982	CRA Beta 2 1982	CRA Alpha 2 1982
<b>Secured</b>							
Land	+12.8%	+11.0%	+11.6%	+13.2%	+1.9%	+1.9%	+33.9%
Improvements	+4.9%	+3.5%	+3.5%	+1.7%	+1.9%	+2.8%	+76.9%
Personal Prop.	-2.6%	+10.8%	+4.7%	-40.7%	0.0%	-65.8%	0.0%
Exemptions	+6.1%	-4.3%	-20.0%	+6.6%	0.0%	0.0%	+1.7%
<b>Net Total</b>	<b>+8.9%</b>	<b>+7.6%</b>	<b>+7.9%</b>	<b>+5.9%</b>	<b>+1.9%</b>	<b>+1.8%</b>	<b>+49.7%</b>
<b>SBE Nonunitary</b>							
Land	-10.0%	+76.5%	+54.1%	0.0%	+20.6%	+112.5%	0.0%
Improvements	-68.2%	+24.8%	+24.8%	0.0%	+24.8%	0.0%	0.0%
Personal Prop.	+0.0%	+24.8%	+24.8%	0.0%	+24.8%	0.0%	0.0%
Exemptions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Total</b>	<b>-45.1%</b>	<b>+70.2%</b>	<b>+49.6%</b>	<b>0.0%</b>	<b>+21.1%</b>	<b>+112.5%</b>	<b>0.0%</b>
<b>Unsecured</b>							
Land	+33.0%	+9.8%	+5.9%	-18.3%	0.0%	0.0%	0.0%
Improvements	+10.8%	+15.7%	-7.4%	+37.9%	+805.5%	-49.8%	+4.8%
Personal Prop.	-2.2%	-2.3%	-3.2%	+37.7%	+88.3%	-0.7%	-4.7%
Exemptions	+9.2%	-17.1%	-17.8%	0.0%	0.0%	0.0%	0.0%
<b>Net Total</b>	<b>+2.1%</b>	<b>+4.2%</b>	<b>-3.1%</b>	<b>+34.5%</b>	<b>+121.8%</b>	<b>-17.9%</b>	<b>-2.9%</b>
<b>Combined</b>							
Land	+12.9%	+11.1%	+11.6%	+13.0%	+2.2%	+23.5%	+33.9%
Improvements	+4.9%	+3.7%	+3.3%	+2.3%	+8.3%	-2.5%	+71.0%
Personal Prop.	-2.2%	+1.7%	-2.0%	+36.3%	+87.8%	-5.0%	-4.7%
Exemptions	+6.3%	-6.8%	-19.2%	+6.6%	0.0%	0.0%	+1.7%
<b>Net Total AV</b>	<b>+8.5%</b>	<b>+7.5%</b>	<b>+7.6%</b>	<b>+7.7%</b>	<b>+10.3%</b>	<b>+6.6%</b>	<b>+42.1%</b>
<b>Net Taxable AV</b>	<b>+8.5%</b>	<b>+7.5%</b>	<b>+7.6%</b>	<b>+7.7%</b>	<b>+10.3%</b>	<b>+6.6%</b>	<b>+42.1%</b>

2004/05 Total Net AV



2004/05 Redevelopment Net AV



Source: HdL Coren & Cone, Orange County Assessor Combined Tax Rolls

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NC508091607 Page 1

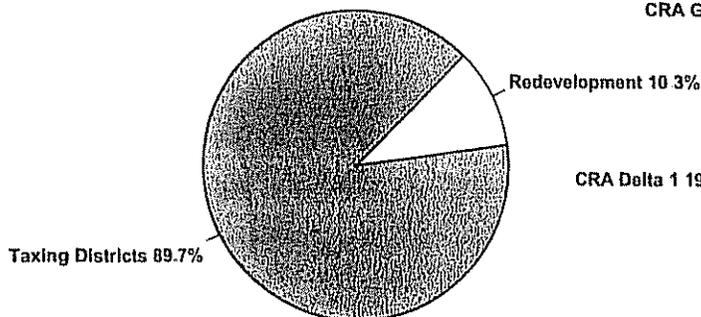
# THE CITY OF LA HABRA

## 2004/05 GROWTH SUMMARY BY AGENCY

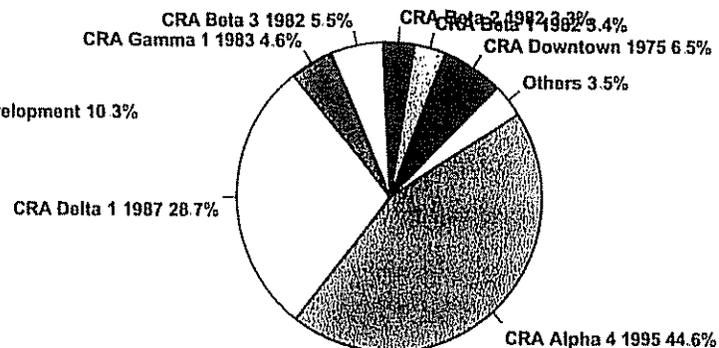
Percentage Growth Of Assessed Values By Agency Between 2003/04 And 2004/05

	County	City	CRA Alpha 3 1982	CRA Beta 3 1982	CRA Gamma 1 1983	CRA Delta 1 1987	CRA Alpha 4 1995
<b>Secured</b>							
Land	+12.8%	+11.0%	+1.9%	+1.9%	+3.3%	+2.1%	+4.5%
Improvements	+4.9%	+3.5%	+1.9%	+2.5%	+12.4%	+2.7%	+1.8%
Personal Prop.	-2.6%	+10.8%	0.0%	0.0%	-1.9%	0.0%	+14.6%
Exemptions	+6.1%	-4.3%	0.0%	0.0%	0.0%	+1.9%	+1.8%
<b>Net Total</b>	<b>+8.9%</b>	<b>+7.6%</b>	<b>+1.9%</b>	<b>+2.3%</b>	<b>+7.4%</b>	<b>+2.5%</b>	<b>+4.7%</b>
<b>SBE Nonunitary</b>							
Land	-10.0%	+76.5%	0.0%	+24.8%	0.0%	0.0%	+24.8%
Improvements	-68.2%	+24.8%	0.0%	+24.8%	0.0%	0.0%	+24.8%
Personal Prop.	+0.0%	+24.8%	0.0%	+24.8%	0.0%	0.0%	+24.8%
Exemptions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Total</b>	<b>-45.1%</b>	<b>+70.2%</b>	<b>0.0%</b>	<b>+24.8%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>+24.8%</b>
<b>Unsecured</b>							
Land	+33.0%	+9.8%	0.0%	0.0%	0.0%	+0.0%	+0.0%
Improvements	+10.8%	+15.7%	+369.2%	-3.3%	-2.2%	+125.2%	+0.5%
Personal Prop.	-2.2%	-2.3%	-39.0%	+2.7%	+22.4%	-9.5%	-4.9%
Exemptions	+9.2%	-17.1%	0.0%	0.0%	0.0%	0.0%	+4.1%
<b>Net Total</b>	<b>+2.1%</b>	<b>+4.2%</b>	<b>+65.2%</b>	<b>+1.7%</b>	<b>+4.1%</b>	<b>+42.0%</b>	<b>-1.6%</b>
<b>Combined</b>							
Land	+12.9%	+11.1%	+1.9%	+2.0%	+3.3%	+2.3%	+4.8%
Improvements	+4.9%	+3.7%	+6.2%	+2.2%	+11.5%	+13.8%	+1.8%
Personal Prop.	-2.2%	+1.7%	-39.0%	+2.8%	+1.4%	-9.5%	+10.7%
Exemptions	+6.3%	-6.8%	0.0%	0.0%	0.0%	+1.9%	+4.0%
<b>Net Total AV</b>	<b>+8.5%</b>	<b>+7.5%</b>	<b>+3.9%</b>	<b>+2.2%</b>	<b>+7.3%</b>	<b>+7.8%</b>	<b>+4.4%</b>
<b>Net Taxable AV</b>	<b>+8.5%</b>	<b>+7.5%</b>	<b>+3.9%</b>	<b>+2.2%</b>	<b>+7.3%</b>	<b>+7.8%</b>	<b>+4.4%</b>

2004/05 Total Net AV



2004/05 Redevelopment Net AV



Source: HdL Coren & Cone, Orange County Assessor Combined Tax Rolls

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Page 2

City of La Habra, California

Water Consumption, Services and Collections  
Water Consumption, Number of  
Water Services and Water Sale Collections  
For the Years Ended June 30,

	2005	2004	2003
Water Services			
Residential	\$ 11,481	\$ 11,398	\$ 11,380
Commercial/Industrial	836	829	969
Schools/Other	250	313	106
Total	<u>\$ 12,567</u>	<u>\$ 12,540</u>	<u>\$ 12,455</u>

City of La Habra, California

Average Monthly Water Service Comparison  
For Fiscal Year 2004-05

Water Agency	Usage (in ccf's)	Commodity	Readiness to	Total Bill
La Habra	25	\$ 1.41	\$ 6.78	\$ 42.03
Brea	25	1.80	2.87	47.87
Fullerton	25	1.24	5.12	36.12
La Habra Heights	25	1.38	25.96	48.21
Suburban Water System (La Mirada and Whittier)	25	1.23	8.25	39.00
Whittier	25	1.54	4.00	42.50

City of La Habra, California

Water Users

Ten Largest Users of Water

12 Months through June 30, 2005

<u>Customer</u>	<u>12 Month Consumption (100 Cubic Feet)</u>	<u>Percentage of Total Consumption</u>
Westridge Golf, Inc.	140,543	3.18
Albertson's Bakery	16,069	0.36
The Gardens of La Habra Heights	14,682	0.33
Whittier Christian H S	14,256	0.32
Friendly Village Mobilehome Park	14,093	0.32
Fullerton Union High School District	12,848	0.29
G & K Las Lomas	12,339	0.28
La Habra School District	11,226	0.25
Brooklake Apartments	10,914	0.25
Fashion Knolls HOA	10,476	0.25
La Habra Woods Apts	9,688	0.22
Total Consumption in 100 CCF		<u><u>4,417,068</u></u>

City of La Habra, California

Water Rates

Year Ended June 30, 2005

Adopted 12/06/04

Effective 12/06/04

Meter Size	Monthly Meter Charge	Water Consumption Charge <sup>(1)</sup>
5/8 inch	\$ 6.78	\$ 1.41
3/4 inch	7.66	1.41
1 inch	9.89	1.41
1-1/2 inches	22.25	1.41
2 inches	39.38	1.41
3 inches	88.61	1.41
4 inches	156.83	1.41
6 inches	352.88	1.41
8 inches	398.19	1.41
10 inches	N/A	N/A

<sup>(1)</sup> For each additional 100 cubic feet. From May 1 to September 30 of each year a charge of \$1.52 per 100 cubic feet is assessed for consumption above 17,000 cubic feet.

**City of La Habra, California**

**Statement of Legal General Obligation Debt Margin  
June 30, 2005**

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Historically, by law, the legal debt margin established for cities by the State of California has been 15% of total assessed valuation. This rate, applied to the 2004–05 total assessed value, would be \$539,706,313.

However, as a result of the adoption of Article XIII of the State Constitution in 1978, no additional general obligation debt may be issued without a two-thirds vote of the citizenry.

At June 30, 2005, the City of La Habra had no general obligation bonded debt outstanding.

Source: City of La Habra, Department of Finance

City of La Habra, California

Schedule of Direct and Overlapping Bonded Debt  
June 30, 2005

2004-05 Assessed Valuation: \$3,598,042,087  
 Redevelopment Incremental Valuation: 182,648,523  
 Adjusted Assessed Valuation: \$3,415,393,564

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/05</u>
Orange County Teeter Plan Obligations	1.217%	\$ 1,505,733
Metropolitan Water District	0.257	1,077,832
North Orange County Joint Community College District	5.631	13,893,592
Fullerton Joint Union High School District	19.991	12,900,774
La Habra City School District	81.805	12,671,018
City of La Habra Community Facilities District No. 1990-1	100.	<u>2,695,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$44,743,949

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	1.217%	\$10,666,993
Orange County Pension Obligations	1.217	1,360,271
Orange County Board of Education Certificates of Participation	1.217	242,183
Orange County Transit Authority	1.217	45,090
Municipal Water District of Orange County Water Facilities Corporation	1.451	510,244
Orange County Sanitation District Certificates of Participation	1.713	2,438,027
Fullerton Joint Union High School District Certificates of Participation	19.991	757,659
<b>City of La Habra Certificates of Participation</b>	<b>100.</b>	<b><u>24,845,000</u></b>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$40,865,467
Less: Orange County Transit Authority (80% self-supporting)		36,072
MWDOC Water Facilities Corporation (100% self-supporting)		<u>510,244</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$40,319,151

GROSS COMBINED TOTAL DEBT \$85,609,416 (1)  
 NET COMBINED TOTAL DEBT \$85,063,100

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

Ratios to 2004-05 Assessed Valuation:  
 Total Overlapping Tax and Assessment Debt ..... 1.24%

Ratios to Adjusted Assessed Valuation:  
**Combined Direct Debt (\$24,845,000).....0.73%**  
 Gross Combined Total Debt .....2.51%  
 Net Combined Total Debt .....2.49%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$0

KD:(\$400)

**City of La Habra, California**

**Schedule of Debt Ratings  
June 30, 2005**

Type of Debt	Issuing Entity	Date of Issue	Amount of Issue	Rating Service	Rating
<b>General Long-term Debt:</b>					
Tax Revenue Anticipation Notes	City of La Habra	1994	\$ 2,200,000	Moody's	MIG-1
		1995	2,200,250	Moody's	MIG-1
		1996	-	-	-
		1997	-	-	-
		1998	-	-	-
		1999	-	-	-
		2000	-	-	-
		2001	-	-	-
		2002	-	-	-
		2003	-	-	-
Special Tax Bonds	Redevelopment Agency	1998	3,480,000	-	Unrated
Tax Allocation Bonds	Redevelopment Agency	2000	8,000,000	Moody's	Baa3
<b>Proprietary Long-term Debt:</b>					
Refunding Certificates of Participation	Civic Improvement Authority	1998	5,640,000	Standard & Poors	AAA (FSA)
Refunding Certificates of Participation	Civic Improvement Authority	1998	1,065,000	Standard & Poors	AAA (FSA)
Refunding Certificates of Participation	Housing Authority	1998	21,895,000	Standard & Poors	AAA (FSA)
Revenue Bonds	Civic Improvement Authority	2003	7,500,000	Standard & Poors	AAA (MBIA)

Source: City Finance Department  
File: FinDebtRatings

**City of La Habra, California**

**Schedule of Insurance In Force  
June 30, 2005**

Company	Policy Number	Expiration Date	Type of Coverage
CSAC Excess Insurance Authority C/O Driver Alliant Insurance Services, Inc. (ICRMA Member)	ICRMA2005-1WC	7/1/05	\$750,000 SIR
Redland Insurance Company	SIU 33499	04/04/06	Earthquake including Flood (building and loss of rents) \$9,876,195 Total Insurable Value. 7.5% Earthquake Deductible subject to \$25,000 minimum per occurrence. \$25,000 Deductible – Flood and All other perils
Twin City Fire	KG0001306	07/01/05	Mobile Equipment \$1,434,340 Total Value \$2,000 Deductible
Hartford	72MSPGJ5797	02/01/06	Property \$15,882,202 Property Limit \$3,182,489 Business Personal Property FIRE, ECE, Special Form \$5,000 Deductible \$262,600 Loss of Rents
CV Star	4 7052492	3/20/06	Municipal Liability \$10,000,000 Each Occurrence \$10,000,000 General Aggregate \$250,000 SIR
Great American	GVT 124-39-58	10/30/06	Crime \$5,000,000 Employee Dishonesty \$5,000,000 Forgery or Alteration \$5,000,000 Theft, Disappearance, & Destruction \$5,000,000 Computer Fraud \$25,000 Deductible

Source: City of La Habra, Department of Management Services

City of La Habra, California

Demographic Statistics  
Last Ten Fiscal Years

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Calendar Year	Square Miles	Number of Housing Units	Population	Average Annual Population Percent Change
1996	7.3	18,955	54,257	0.51
1997	7.3	18,959	54,727	0.87
1998	7.3	18,962	55,383	1.20
1999	7.3	18,964	56,072	1.24
2000*	7.3	19,153	58,974	5.18
2001	7.3	19,588	59,711	1.25
2002	7.3	19,694	60,702	1.66
2003	7.3	19,718	61,188	0.80
2004	7.3	19,719	61,454	0.43
2005	7.3	19,735	61,771	0.51

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\* Official U.S. Census count as of April 1, 2000.

Sources: California Department of Finance; City of La Habra Department of Finance

**City of La Habra, California**

**Miscellaneous Statistics**

**June 30, 2005**

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Date of incorporation	January 25, 1925
Form of government	Council/Manager
Area	7.3 Square Miles
Miles of streets	112
Number of street lights	2,635
Fire Protection:	
Number of stations	3
Number of firefighters and officers	33
Police Protection:	
Number of Stations	1
Number of police officers	64
Municipal Water Department:	
Number of accounts (water only)	12,567
Average daily consumption	8.3 mgd
Miles of water mains	120
Sanitary sewers	105 Miles
Recreation and culture:	
Number of parks	21, totaling 119 acres
Number of full-time City employees	273

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Source: City of La Habra Department of Finance

File: FinDemographics