

City of La Habra, California
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2006



Prepared by the Department of Finance and Administrative Services

James D. Sadro, Director/Treasurer

Melvin Shannon, Deputy Director of Finance

CITY OF LA HABRA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2006

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INTRODUCTORY SECTION

February 23, 2007

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, 2006 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. A more comprehensive analysis of the City's financial health can be found in the Management Discussion and Analysis section of this report.

FISCAL YEAR 2005-2006 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 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 61,789) 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 FY 05/06 was 10.1% more than FY 04/05 with a total NTAV of \$3,962,349,511. 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 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 and court liaison services. During FY 04/05, the City finalized 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 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.

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 judgments 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, 2006 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, 2006 and increases and decreases in relation to prior year amounts:

Revenues	2006 Amount	Percent of Total	2005 Amount	Increase (Decrease) from 2005	Percent of Increase
Taxes	28,105,582	58.6	24,979,404	3,126,178	12.5
Intergovernmental	10,474,304	21.8	13,939,559	(3,465,255)	(24.9)
Licenses & Permits	3,003,519	6.3	2,609,181	394,338	15.1
Fines & Forfeitures	711,923	1.5	624,665	87,258	13.9
Use of Money & Property	886,846	1.9	1,201,020	(314,174)	(26.2)
Charges for Services	4,736,754	9.9	4,111,510	625,244	15.2
Total	47,918,928	100.0	47,465,339	453,589	0.9

Revenues from these governmental funds for FY 05/06 were \$47,918,928 as compared with \$47,465,589 for FY 04/05, an increase of less than one percent. Notable revenue variances included the following:

- An 8.8% (\$483,316) growth in secured property tax.
- A 28.7% (\$817,083) increase in property tax in-lieu of Vehicle License Fees (VLF).
- A 7.3% (\$628,468) growth in sales tax.
- A 7.6% (\$362,860) growth in Utility User tax.
- A decrease of \$2 million in Intergovernmental revenues due to a one-time grant received in FY 04/05.
- A decrease of approximately \$1 million in Intergovernmental revenues due to the receipt of one-time proceeds from the VLF backfill financing in FY 04/05.
- A decrease in interest earnings due to lower cash balances in the Capital Projects fund.

The following schedule presents a summary of expenditures for all governmental funds for the fiscal year ended June 30, 2006 and increases and decreases in relation to prior year amounts:

Expenditures	2006 Amount	Percent Of Total	2005 Amount	Increase (Decrease) From 2005	Percent Of Change
General Government	3,190,161	6.0	3,794,454	(604,293)	(15.9)
Intergovernmental	351,407	0.7	392,850	(41,443)	(10.5)
Public Safety	20,189,955	38.0	19,008,603	1,181,352	6.2
Public Works	4,883,604	9.2	4,348,452	535,152	12.3
Community Services	7,326,891	13.8	7,006,481	320,410	4.6
Community Development	3,700,056	6.9	3,363,698	336,358	10.0
Manpower	441,946	0.8	411,959	29,987	7.3
Capital Outlay	11,942,906	22.5	15,079,158	(3,136,252)	(20.8)
Debt Service	1,142,374	2.1	1,498,477	(356,103)	(23.8)
Total	53,169,300	100.0	54,904,132	(1,734,832)	(3.2)

Expenditures for these governmental funds for FY 05/06 totaled \$53,169,300, which represents a decrease of 3.2% from FY 04/05. Notable expenditure variances included the following:

- A decrease in General Government spending of almost 16% primarily due to approximately \$500,000 of one time transition costs incurred in FY 04/05 associated with the new Fire Services contract with L.A. County Fire.
- An increase in Public Safety costs due to the new Fire Services contract, and increases in negotiated benefits costs for Police employees.
- Public Works expenditures grew by over 12% mainly due to increased Special Revenue funding for capital projects, and construction of the La Bonita Sports Park complex.
- Capital Outlay decreased significantly as certain one-time grants were received in FY 04/05, but not in FY 05/06. In addition, several major projects were completed in FY 04/05, resulting in reduced capital expenditures in FY 05/06.
- Debt service was reduced in FY 05/06 as certain building and fire apparatus financings were repaid ahead of schedule.

General Fund Balance

The total General Fund balance as of June 30, 2006 was \$10,910,213. Of this amount, \$2,984,541 is considered restricted and unavailable for appropriation with \$2,959,548 owed by other funds for long-term advances and \$24,993 reserved for inventories.

The remaining \$7,925,672 fund balance is considered available and unrestricted with \$6,340,526 set aside as fund balance (emergency reserves) and \$1,585,146 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 municipalities, unrestricted reserve levels typically range from 5% to 75% of annual expenditure budgets and can fluctuate based on availability of funds and individual reserve policies. As of June 30, 2006, the City's total unrestricted reserve levels equaled 25.0% of the FY 05/06 General Fund expenditure budget, with 20.0% in emergency reserves and 5.0% in operating reserves.

Debt

As of fiscal year ended June 30, 2006, the City's component units had several outstanding debt issues. These issues included \$2,575,000 in special tax bonds, \$23,975,000 in certificates of participation, \$7,440,000 in tax allocation bonds and \$7,205,000 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 and 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, 2006, the capital assets (net of depreciation) of the City's governmental activities amounted to \$68,308,519. 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:

Enterprise Operation	Operating Revenue	Operating Expenses	Non Operating Revenue (Expenses)	Net Assets (Deficits) Beginning	Net Assets (Deficits) Ending
Water	8,625,652	7,274,364	26,360	9,901,118	11,058,825
Sewer	791,592	833,420	89,047	9,406,669	9,425,643
Refuse	7,334,172	2,106,286	14,614	63,300	5,233,955
Children's Museum	438,137	542,426	477	637,530	618,718
Mobile Home	2,322,578	2,350,217	14,753	477,791	464,905
Housing Authority	1,951,143	797,810	(750,837)	3,092,433	3,494,929
Total	21,463,274	13,904,523	(605,586)	23,578,841	30,296,975

The Water utility of the City of La Habra, which serves over 12,600 customers operated with a net income before transfers of \$1,377,648. Its total net assets, including the value of fixed capital assets, at year-end were \$11,058,825.

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 \$47,219. Its total net assets, including the value of fixed capital assets, at year-end were \$9,425,643.

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 \$5,242,500. This one-time large increase in net assets was the result of a \$5 million settlement agreement reached between the City of La Habra and the County of Orange regarding a closed landfill at Vista Grande Park that had previously been operated by the County. The funds from the settlement agreement will be used for landfill remediation and mitigation. The refuse fund's total net assets at year-end were \$5,233,955.

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 \$103,812 and had total net assets of \$618,718, primarily comprised of fixed capital assets, at year-end.

The Mobile Home Fund operated with a net loss before transfers of \$12,886 and has total net assets of \$464,905 at year-end.

The Housing Authority operated with a net income before transfers of \$402,496 and has total net assets of \$3,494,929 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, 2006, the City had \$45,678,513 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.

In the Risk Management Internal Service Fund, a reserve has been calculated to provide for future claims resulting from happenings prior to June 30, 2006. The reserve's balance is \$2,093,912, with a net assets deficit of \$389,885.

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, Moreland & Associates, Inc., was retained by the City of La Habra to perform these auditing services for the fiscal year ended June 30, 2006. 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 and Administrative Services 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 Deputy Director of Finance Melvin Shannon, Revenue Manager Stefanie Turner, Senior Accountant John Balderas and Accountant Mary Ann Sy.

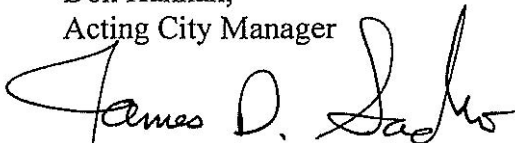
We wish to acknowledge the professional manner in which Moreland & Associates conducted the audit and express our appreciation for their assistance, in particular Michael Moreland, Adey Legesse, Christina Holmes, Charlotte Newkirk and Zukie Chiu.

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,



Don Hannah,
Acting City Manager



James D. Sadro,
Director of Finance and Administrative Services
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, 2005

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.



Carla E. Judge

President

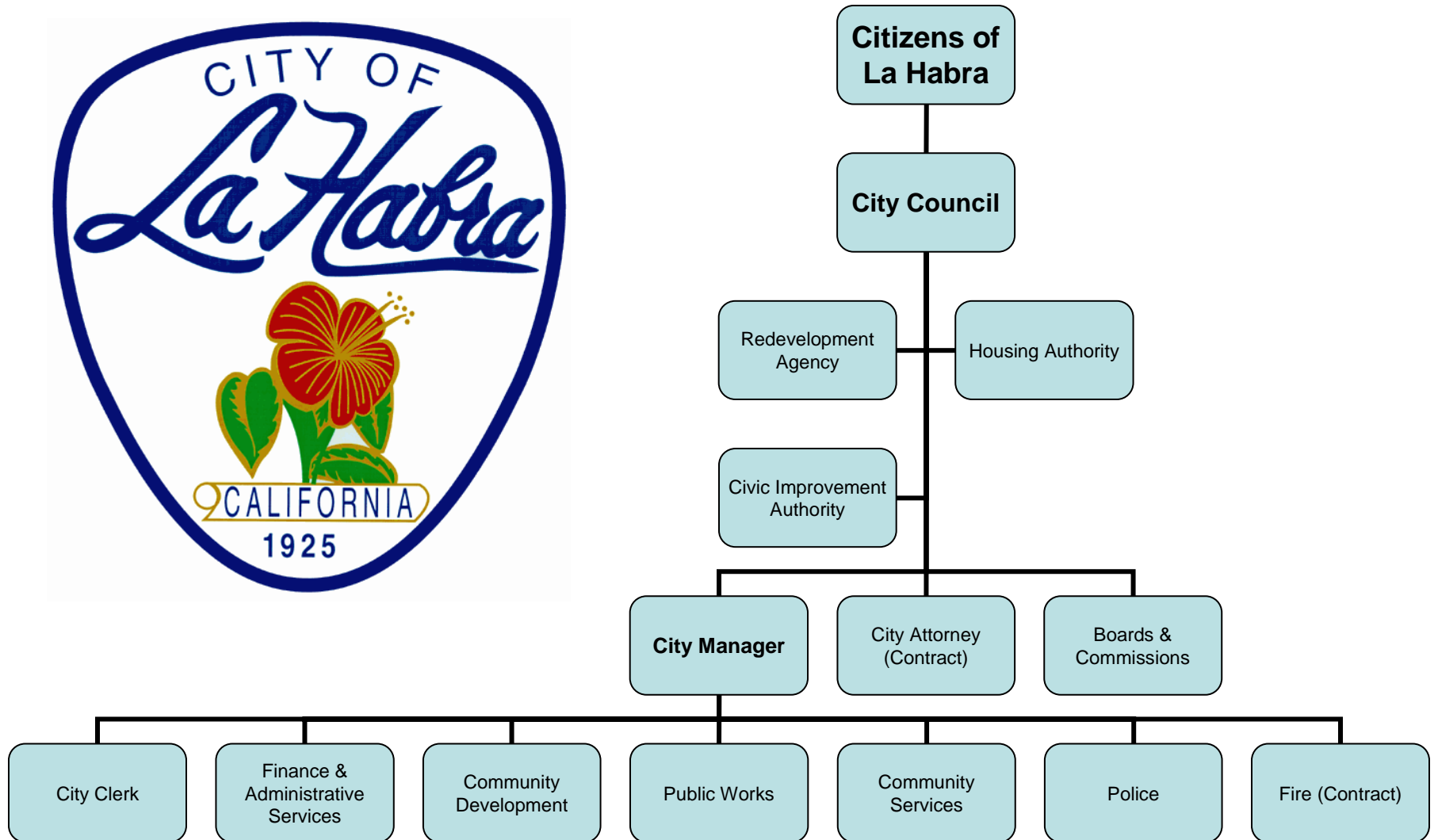
Jeffrey R. Emer

Executive Director

City of La Habra Organization and Services



ix.



CITY OF LA HABRA

**CITY OFFICIALS
AS OF JUNE 30, 2006**

MEMBERS OF THE CITY COUNCIL

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

**City Manager
Brad Bridenbecker**

**Assistant City Manager
Don Hannah**

**City Attorney
Richard Jones**

**City Clerk
Tamara Mason**

**Director of Finance & Administrative Services
James Sadro**

**Acting Director of Community Development
Carlos Jaramillo**

**Director of Community Services
Salvatore Failla**

**Acting Director of Public Works
Patrick McCarron**

**Assistant Chief of Fire
Angel Montoya (LA County Fire)**

**Chief of Police
Dennis Kies**

FINANCIAL SECTION

October 13, 2006

The Honorable City Council of
the City of La Habra, California

Independent Auditors' Report

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, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of La Habra's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Habra, California, as of June 30, 2006, 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 13, 2006, on our consideration of the City of La Habra'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 other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The major fund budgetary comparison schedules and the combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



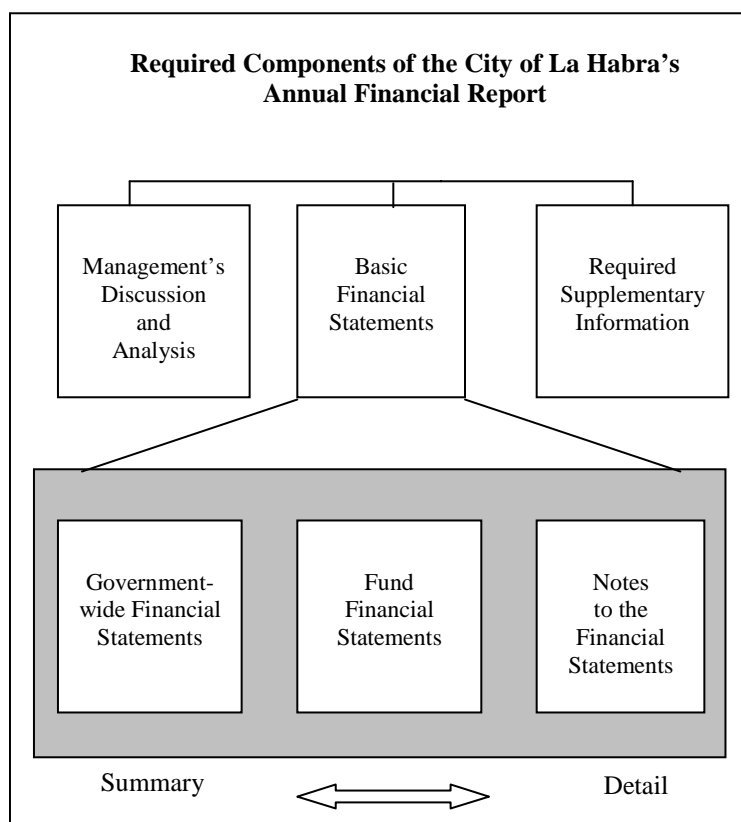
Management’s Discussion and Analysis

In an effort to provide insight and perspective to the City of La 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, 2006. 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.
 - *Propriety 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, refuse 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. 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, 2006, as shown below, were \$101,893,782. 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 05/06, one year remains for the City to meet full GASB 34 compliance. The City's net assets increased by \$12,652,629 during the current fiscal year.

TABLE 1
STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	FY 05/06	FY 04/05	FY 05/06	FY 04/05	FY 05/06	FY 04/05
<u>ASSETS</u>						
Current and Other Assets	31,097,870	40,635,089	26,839,578	22,240,845	57,937,448	62,875,934
Capital Assets	68,308,519	58,178,081	30,850,280	30,535,644	99,158,799	88,713,725
TOTAL ASSETS	99,406,389	98,813,170	57,689,858	52,776,489	157,096,247	151,589,659
<u>LIABILITIES</u>						
Current Liabilities	6,308,802	11,937,904	1,604,835	2,631,885	7,913,637	14,569,789
Non-Current Liabilities	21,649,288	21,336,938	25,639,540	26,441,779	47,288,828	47,778,717
TOTAL LIABILITIES	27,958,090	33,274,842	27,244,375	29,073,664	55,202,465	62,348,506
<u>NET ASSETS</u>						
Invested in Capital Assets, Net of related debt	60,254,071	51,744,947	14,083,243	13,069,786	74,337,314	64,814,733
Restricted	2,425,184	2,125,116			2,425,184	2,125,116
Unrestricted	8,769,044	11,668,265	16,362,240	10,633,039	25,131,284	22,301,304
TOTAL NET ASSETS	71,448,299	65,538,328	30,445,483	23,702,825	101,893,782	89,241,153

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 \$101.8 million; however, 72% of these net assets represent capital such as land, buildings, machinery, equipment, and infrastructure, less any related debt used to acquire those assets that are 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% (\$2.4 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 \$16.3 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, refuse, Children's Museum, housing authority and mobile home parks. That leaves 8.6%, or a \$8.7 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, which follows, shows that net assets increased by \$12.6 million during the year. For the General Fund, this increase can be attributed mainly to revenues exceeding projections for the year. This resulted in a \$2.6 million transfer from the General Fund and \$500,000 from the Fleet Replacement fund to the City's capital project funds for future capital project construction and acquisition. In addition, net assets increased mainly due to the completion of the La Bonita Sports and Park complex, and the completion of numerous street improvement projects. These and other City assets will be capitalized and depreciated over their useful lives under full-accrual accounting, versus being expensed in full in the year they were "acquired" by the City.

TABLE 2
CHANGES IN NET ASSETS

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	FY 05/06	FY 04/05	FY 05/06	FY 04/05	FY 05/06	FY 04/05
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 6,282,920	4,726,490	21,463,274	15,282,538	27,746,194	20,009,028
Operating Grants and Contributions	6,155,825	9,667,385			6,155,825	9,667,385
Capital Grants and Contributions	2,841,673	2,617,891			2,841,673	2,617,891
General Revenues						
Property Taxes	13,768,880	11,634,029			13,768,880	11,634,029
Sales and Use Taxes	9,208,476	8,836,139			9,208,476	8,836,139
Utility Users Taxes	5,128,226	4,765,367			5,128,226	4,765,367
Franchise Fees	1,807,537	1,689,369			1,807,537	1,689,369
Other Taxes	399,436	599,921			399,436	599,921
Grants & contributions not restricted to specific programs	705,613	1,696,647			705,613	1,696,647
Income from Property & Investments	801,623	757,030	481,537	346,084	1,283,160	1,103,114
Gain on sale of capital assets						
Gain on sale of investments						
Other general revenue	885,929	796,231			885,929	796,231
Miscellaneous						
Total Revenues	47,986,138	47,786,499	21,944,811	15,628,622	69,930,949	63,415,121
<u>Expenses</u>						
General Government	2,466,028	3,740,025			2,466,028	3,740,025
Intergovernmental	351,407	392,850			351,407	392,850
Public Safety	20,751,487	19,176,709			20,751,487	19,176,709
Public Works	5,829,033	5,525,165			5,829,033	5,525,165
Manpower	441,946	411,959			441,946	411,959
Community Services	7,609,897	7,149,700			7,609,897	7,149,700
Community Development	3,717,217	3,401,359			3,712,217	3,401,359
Interest on Long-Term Debt	824,152	975,885			824,152	975,885
Water			7,591,959	7,198,574	7,591,959	7,198,574
Sewer			912,741	994,576	912,741	994,576
Refuse			2,192,933	2,034,353	2,192,933	2,034,353
Housing Authority			1,681,163	1,701,542	1,681,163	1,701,542
Other business-type activities			2,908,357	2,729,712	2,908,357	2,729,712
Total Expenses	41,991,167	40,773,652	15,287,153	14,658,757	57,278,320	55,432,409
Excess (Deficiency) before Transfers	5,994,971	7,012,847	6,657,658	969,865	12,652,629	7,982,712
Transfers	(85,000)	(76,000)	85,000	76,000		
Increase (Decrease) in Net Assets	5,909,971	6,936,847	6,742,658	1,045,865	12,652,629	7,982,712
Net Assets - Beginning of Year	65,538,328	58,601,481	23,702,825	22,656,960	89,241,153	81,258,441
Net assets - End of year \$	71,448,299	65,538,328	30,445,483	23,702,825	101,893,782	89,241,153

Approximately 54% 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 \$5,909,971. This increase was generated by total revenues of *governmental* activities of \$47,986,138 offset by \$41,991,167 in total costs of *governmental* activities, plus \$85,000 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 (\$6,282,920), grants and contributions from other governments and organizations to subsidize certain programs (\$8,997,498), and taxes and other revenues (such as income from property and investments and Vehicle License Fees) received by the City (\$32,705,720).

Business-Type Activities

Business-type activities increased the City's net assets by \$6,742,658 (28.4%) as of 6/30/06, with expenses for business-type activities totaling \$15,287,153. The increase was due to growth in the net assets of the Water fund (\$1,182,231), the Sewer fund (\$18,974), the Refuse fund (\$5,170,655), and the Housing Authority (\$402,496). This growth was somewhat offset by reductions in net assets in the Children's Museum (\$18,812), and the Mobil Home Lease fund (\$12,886).

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 05/06, the City's governmental funds reported combined ending fund balances of \$13,243,117 a decrease of \$4,513,662 in comparison to the prior fiscal year. This decrease was due primarily to continued spending on Citywide capital projects. Approximately 28% of this amount (\$3,727,808) 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 (\$2,959,548), (2) land held for resale (\$111,000), (3) to pay debt service (282,326), (4) for low-moderate income housing (\$1,609,042), (5) to liquidate contracts and purchase orders of the prior period (\$4,528,400), and (6) for inventories (\$24,993).

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 \$10,910,213, an increase of \$674,066. The unreserved fund balance portion of the General Fund was \$7,925,672.

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 \$2,587,821 on June 30, 2006 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, 2006, the Water fund had a positive change in net assets of \$1,157,707, the sewer fund had a positive change in net assets of \$18,974, the Refuse fund had a positive change in net assets of \$5,170,655, the Children's Museum fund had a negative change in net assets of \$18,812, the Mobile Home Lease fund had a negative change in net assets of \$12,886 and the Housing Authority fund had a positive change in net assets of \$402,496. The combined \$16.2 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 05/06 primarily due to sales and property tax revenues in excess of budget estimates.

In addition to unanticipated revenue growth, actual expenditures during the fiscal year were \$600,699 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 05/06, the City had recorded an investment of over \$142.7 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 05/06, one year remains 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)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	FY 05/06	FY 04/05	FY 05/06	FY 04/05	FY 05/06	FY 04/05
Land	8,752,305	7,668,318	12,800,000	12,800,000	21,552,305	20,468,318
Land improvements	6,223,791	1,141,458			6,223,791	1,141,458
Buildings and improvements	11,311,802	11,022,232	5,141,477	5,141,477	16,453,279	16,163,709
Improvements other than buildings	1,133,296	1,133,296	245,163	245,163	1,378,459	1,378,459
Machinery and equipment	5,781,703	5,648,138	729,841	375,669	6,511,544	6,023,807
Autos and trucks	3,223,302	4,208,713	26,937	26,937	3,250,239	4,235,650
Infrastructure	56,195,464	43,982,949	30,350,830	27,997,409	86,546,294	71,980,358
Construction in progress	637,150	7,202,668	176,897	1,752,706	814,047	8,955,374
(Less accumulated depreciation)	(24,950,294)	(23,829,691)	(18,620,865)	(17,803,718)	(43,571,159)	(41,633,409)
TOTALS	68,308,519	58,178,081	30,850,280	30,535,643	99,158,799	88,713,724

Major capital acquisitions during FY 05/06 included the La Bonita Sports and Park complex that had been under construction (Land Improvements), and numerous street improvement projects that were completed (Infrastructure) during the fiscal year. The result of these completed projects can also be seen in the amount of assets reported in Construction in Progress. In addition, under the terms of the new Fire Services agreement, the City transferred existing fire apparatus to Los Angeles County Fire, which reduced the amount of assets reported under Autos and Trucks. More detailed information about the City's capital assets is presented in Note II.D. to the financial statements.

Long-Term Debt

At year-end, the City had \$47,288,828 in certificates of participation, bonds, loans, leases, and accrued assessments payable, decrease of \$2,133,173 from last year, as shown in the table below.

TABLE 4
OUTSTANDING DEBT AT YEAR-END

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	FY 05/06	FY 04/05	FY 05/06	FY 04/05	FY 05/06	FY 04/05
Certificates of Participation	5,378,452	5,586,192	18,434,540	19,086,779	23,812,992	24,672,971
Tax Allocation Bonds	7,440,000	7,550,000			7,440,000	7,550,000
Special Tax Bonds	2,575,000	2,695,000			2,575,000	2,695,000
Notes Payable	689,036	724,036			689,036	724,036
Loan Payable	1,069,060	1,080,000			1,069,060	1,080,000
Contract and Leases Payable	1,185,155	1,236,783			1,185,155	1,236,783
Compensated Absences	3,312,585	4,108,211			3,312,585	4,108,211
Revenue Bond			7,205,000	7,355,000	7,205,000	7,355,000
TOTALS	21,649,288	22,980,222	25,639,540	26,441,779	47,288,828	49,422,001

The balance for Compensated Absences was reduced with City Fire personnel transitioned to Los Angeles County Fire under the terms of the Fire Services Agreement. No new long term debt was incurred during FY 05/06. More detail about the City's long-term liabilities is presented in Note II.E. to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The City's FY 05/06 net taxable property values totaled \$3,962,349,511, approximately 32% more than five years ago.
- FY 06/07 PERS rates for the miscellaneous plan have decreased from 11.80% to 10.92%, and have decreased from 23.52% to 22.46% for the safety plan.
- FY 07/08 PERS rates for the miscellaneous plan will decrease from 10.92% to 10.55%, and rates for public safety will decrease from 22.46% to 21.72%.
- The Consumer Price Index (CPI) for the Los Angeles/Riverside/Orange County Metropolitan Statistical Area for all urban consumers increased by 5.2% from June 2005 to June 2006, 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 06/07. Budgeted expenditures were programmed to increase by 0.6% to \$31.9 million. Growth in the expenditure budget was intentionally capped at close to zero percent growth in preparation of the loss of the City's Utility User Tax (UUT) in December 2007. The loss of UUT will reduce General Fund revenues by approximately 15%.

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.lahabracity.com.

CITY OF LA HABRA
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 20,292,281	\$ 15,413,654	\$ 35,705,935
Accounts receivable, net	4,347,934	1,567,685	5,915,619
Prepaid items	18,354	316,704	335,058
Cash and investments with fiscal agents	3,113,501	6,057,101	9,170,602
Due from other governments	2,402,548	102,557	2,505,105
Internal balances	60,010	(60,010)	
Inventories	71,286	5,028	76,314
Deferred charges	680,956	2,530,323	3,211,279
Land held for resale	111,000		111,000
Investment in water rights stock		906,536	906,536
Total Current Assets	<u>31,097,870</u>	<u>26,839,578</u>	<u>57,937,448</u>
Noncurrent Assets:			
Capital assets:			
Not being depreciated	9,389,455	12,976,897	22,366,352
Being depreciated, net	<u>58,919,064</u>	<u>17,873,383</u>	<u>76,792,447</u>
Total Noncurrent Assets	<u>68,308,519</u>	<u>30,850,280</u>	<u>99,158,799</u>
Total Assets	<u>99,406,389</u>	<u>57,689,858</u>	<u>157,096,247</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	2,828,820	1,194,778	4,023,598
Accrued liabilities	3,083,563	33,727	3,117,290
Interest payable	350,801	376,330	727,131
Unearned revenue	45,618		45,618
Total Current Liabilities	<u>6,308,802</u>	<u>1,604,835</u>	<u>7,913,637</u>
Noncurrent Liabilities:			
Due within one year	1,920,736	857,239	2,777,975
Due in more than one year	<u>19,728,552</u>	<u>24,782,301</u>	<u>44,510,853</u>
Total Noncurrent Liabilities	<u>21,649,288</u>	<u>25,639,540</u>	<u>47,288,828</u>
Total Liabilities	<u>27,958,090</u>	<u>27,244,375</u>	<u>55,202,465</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	60,254,071	14,083,243	74,337,314
Restricted for:			
Community development	1,807,303		1,807,303
Public safety	617,881		617,881
Unrestricted	<u>8,769,044</u>	<u>16,362,240</u>	<u>25,131,284</u>
Total Net Assets	<u>\$ 71,448,299</u>	<u>\$ 30,445,483</u>	<u>\$ 101,893,782</u>

See Accompanying Notes to Financial Statements.

CITY OF LA HABRA
Statement of Activities
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,466,028	\$ 1,940	\$ 144,585	
Intergovernmental	351,407			
Public safety	20,751,487	3,272,096	480,757	
Public works	5,829,033			\$ 2,215,110
Manpower	441,946			
Community services	7,609,897	1,739,998	4,848,727	394
Community development	3,717,217	1,268,886	681,756	626,169
Interest long-term debt	824,152			
Total Governmental Activities	41,991,167	6,282,920	6,155,825	2,841,673
Business-type Activities:				
Water	7,591,959	8,625,652		
Sewer	912,741	791,592		
Refuse	2,192,933	7,334,172		
Housing Authority	1,681,163	1,951,143		
Children's Museum	542,426	438,137		
Mobile Home Lease	2,365,931	2,322,578		
Total Business-Type Activities	15,287,153	21,463,274		
Total Primary Government	\$ 57,278,320	\$ 27,746,194	\$ 6,155,825	\$ 2,841,673
General Revenues:				
Taxes:				
Property tax				
Sales and use taxes				
Franchise tax				
Utility users tax				
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 - Beginning				
Net Assets - Ending				

See Accompanying Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,319,503)		\$ (2,319,503)
(351,407)		(351,407)
(16,998,634)		(16,998,634)
(3,613,923)		(3,613,923)
(441,946)		(441,946)
(1,020,778)		(1,020,778)
(1,140,406)		(1,140,406)
(824,152)		(824,152)
(26,710,749)		(26,710,749)
	\$ 1,033,693	1,033,693
	(121,149)	(121,149)
	5,141,239	5,141,239
	269,980	269,980
	(104,289)	(104,289)
	(43,353)	(43,353)
	6,176,121	6,176,121
(26,710,749)	6,176,121	(20,534,628)
13,768,880		13,768,880
9,208,476		9,208,476
1,807,537		1,807,537
5,128,226		5,128,226
399,436		399,436
705,613		705,613
801,623	481,537	1,283,160
885,929		885,929
(85,000)	85,000	
32,620,720	566,537	33,187,257
5,909,971	6,742,658	12,652,629
65,538,328	23,702,825	89,241,153
\$ 71,448,299	\$ 30,445,483	\$ 101,893,782





CITY OF LA HABRA
Balance Sheet
Governmental Funds
June 30, 2006

<u>Assets</u>	Major Funds		
	General	Redevelopment Capital Projects	Other Capital Projects
Cash and investments	\$ 4,779,591	\$ 544,588	\$ 5,765,189
Cash and investments with fiscal agent		2,328,803	
Receivables	3,852,381	18,280	48,320
Due from other funds	1,490,675	2,175	
Due from other governments	138,664		26,288
Advances to other funds	8,374,548		
Land held for resale			
Inventories	24,993		
Total Assets	\$ 18,660,852	\$ 2,893,846	\$ 5,839,797
<u>Liabilities</u>			
Accounts payable	\$ 528,186	\$ 347,741	\$ 607,216
Accrued liabilities	833,726	378	2,159
Due to other funds	2,175	6,657	
Advances from other funds	5,415,000	8,965,762	
Deferred revenue	971,552		
Total Liabilities	7,750,639	9,320,538	609,375
<u>Fund Balances</u>			
Reserved:			
Long-term advances	2,959,548		
Land held for resale			
Debt service			
Low-moderate income housing			
Encumbrances			3,773,067
Inventories	24,993		
Unreserved-designated:			
Operating reserve	1,585,146		
Unreserved-undesignated:			
General fund	6,340,526		
Special revenue funds			
Capital projects funds		(6,426,692)	1,457,355
Total Fund Balances	10,910,213	(6,426,692)	5,230,422
Total Liabilities and Fund Balances	\$ 18,660,852	\$ 2,893,846	\$ 5,839,797

See Accompanying Notes to Financial Statements.

Other Nonmajor Funds	Total Governmental Funds
\$ 4,146,737	\$ 15,236,105
286,496	2,615,299
428,953	4,347,934
	1,492,850
2,149,272	2,314,224
	8,374,548
111,000	111,000
	24,993
<u>\$ 7,122,458</u>	<u>\$ 34,516,953</u>
\$ 1,231,755	\$ 2,714,898
141,001	977,264
1,149,162	1,157,994
	14,380,762
1,071,366	2,042,918
<u>3,593,284</u>	<u>21,273,836</u>
	2,959,548
111,000	111,000
282,326	282,326
1,609,042	1,609,042
755,333	4,528,400
	24,993
	1,585,146
	6,340,526
771,473	771,473
	(4,969,337)
<u>3,529,174</u>	<u>13,243,117</u>
<u>\$ 7,122,458</u>	<u>\$ 34,516,953</u>

CITY OF LA HABRA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006

Total fund balances, governmental funds \$ 13,243,117

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	\$ 87,222,641	
Accumulated depreciation	<u>(20,501,936)</u>	66,720,705

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. 4,685,115

Accrued interest on long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds. (252,134)

Other long-term assets that are not available to pay current period expenditures are deferred in the funds. 1,997,298

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	\$ (382,962)	
Due in more than one year	<u>(14,562,840)</u>	<u>(14,945,802)</u>

Net assets of governmental activities \$ 71,448,299

See Accompanying Notes to Financial Statements.



CITY OF LA HABRA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds		
	General	Redevelopment Capital Projects	Other Capital Projects
Revenues:			
Property taxes and special assessments	\$ 10,881,805		
Sales and use tax	9,208,476		
Utility users tax	5,128,227		
Intergovernmental	440,104		\$ 552,132
Licenses and permits	3,003,519		
Charges for services	4,164,916	\$ 26,238	545,600
Fines, forfeitures, and penalties	711,923		
Use of money and property	589,221	96,304	110,104
Total Revenues	<u>34,128,191</u>	<u>122,542</u>	<u>1,207,836</u>
Expenditures:			
Current:			
General government	3,031,696		
Intergovernmental			
Public safety	19,464,975		
Public works	4,513,122		
Manpower			
Community services	2,922,680		
Community development	1,169,730	1,078,497	555,358
Capital outlay		1,180,699	7,922,312
Debt service:			
Principal			
Interest expense		268,503	
Total Expenditures	<u>31,102,203</u>	<u>2,527,699</u>	<u>8,477,670</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,025,988</u>	<u>(2,405,157)</u>	<u>(7,269,834)</u>
Other Financing Sources (Uses):			
Transfers in	345,270	992,436	3,087,821
Transfers out	(2,697,192)		(23,560)
Total Other Financing Sources (Uses)	<u>(2,351,922)</u>	<u>992,436</u>	<u>3,064,261</u>
Net Change in Fund Balances	674,066	(1,412,721)	(4,205,573)
Fund Balances (Deficit), Beginning	<u>10,236,147</u>	<u>(5,013,971)</u>	<u>9,435,995</u>
Fund Balances (Deficit), Ending	<u>\$ 10,910,213</u>	<u>\$ (6,426,692)</u>	<u>\$ 5,230,422</u>

See Accompanying Notes to Financial Statements.

Other Nonmajor Funds	Total Governmental Funds
\$ 2,887,074	\$ 13,768,879
	9,208,476
	5,128,227
9,482,068	10,474,304
	3,003,519
	4,736,754
	711,923
91,217	886,846
<u>12,460,359</u>	<u>47,918,928</u>
158,465	3,190,161
351,407	351,407
724,980	20,189,955
370,482	4,883,604
441,946	441,946
4,404,211	7,326,891
896,471	3,700,056
2,839,895	11,942,906
265,000	265,000
608,871	877,374
<u>11,061,728</u>	<u>53,169,300</u>
<u>1,398,631</u>	<u>(5,250,372)</u>
25,874	4,451,401
<u>(993,939)</u>	<u>(3,714,691)</u>
<u>(968,065)</u>	<u>736,710</u>
430,566	(4,513,662)
<u>3,098,608</u>	<u>17,756,779</u>
<u>\$ 3,529,174</u>	<u>\$ 13,243,117</u>

CITY OF LA HABRA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds: \$ (4,513,662)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these 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.

Capital assets	\$	12,060,389	
Depreciation expense		<u>(1,905,070)</u>	10,155,319

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. 759,049

Some revenues reported in the statement of activities do not represent current financial resources and therefore are not reported as revenues in the governmental funds. 263,794

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. (754,529)

Change in net assets of governmental activities \$ 5,909,971

See Accompanying Notes to Financial Statements.



CITY OF LA HABRA
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Business-Type Activities - Enterprise Funds			
	Major Funds			
	Water	Sewer	Refuse	Housing Authority
<u>Assets</u>				
Current Assets:				
Cash and investments	\$ 2,309,737	\$ 5,529,046	\$ 4,712,114	\$ 1,874,320
Accounts receivable, net	1,057,478	120,348	330,464	
Prepaid items	297,444			6,666
Due from other funds	4,389,190			
Due from other governments	2,000		55,596	
Advances to other funds				2,000,000
Inventory	5,028			
Total Current Assets	8,060,877	5,649,394	5,098,174	3,880,986
Noncurrent Assets:				
Cash and investments with fiscal agents				1,667,504
Deferred charges				2,279,835
Investment in water rights stock	906,536			
Capital assets, net	10,031,618	3,809,391	500,207	14,423,080
Total Noncurrent Assets	10,938,154	3,809,391	500,207	18,370,419
Total Assets	18,999,031	9,458,785	5,598,381	22,251,405
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	715,510	28,328	363,319	2,673
Accrued liabilities	19,696	4,814	1,107	440
Accrued interest				318,823
Advances from other funds	7,205,000			
Certificates of participation, current				715,000
Compensated absences				
Due to other funds				
Water revenue bond, current				
Total Current Liabilities	7,940,206	33,142	364,426	1,036,936
Noncurrent Liabilities:				
Certificates of participation				17,719,540
Water revenue bond				
Total Noncurrent Liabilities				17,719,540
Total Liabilities	7,940,206	33,142	364,426	18,756,476
<u>Net Assets</u>				
Invested in capital assets, net of related debt	10,031,618	3,809,391	500,207	(2,343,956)
Unrestricted (deficit)	1,027,207	5,616,252	4,733,748	5,838,885
Total Net Assets	\$ 11,058,825	\$ 9,425,643	\$ 5,233,955	\$ 3,494,929

Adjustment to reflect consolidation of internal service fund activities to related enterprise funds
Net assets of business-type activities

See Accompanying Notes to Financial Statements.

Business-Type Activities - Enterprise Funds <u>Other</u> Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
\$ 988,437	\$ 15,413,654	\$ 5,056,176
59,396	1,567,686	
12,594	316,704	18,354
	4,389,190	
44,961	102,557	88,324
	2,000,000	13,211,214
	5,028	46,293
<u>1,105,388</u>	<u>23,794,819</u>	<u>18,420,361</u>
	1,667,504	4,887,799
	2,279,835	931,444
	906,536	
<u>2,085,983</u>	<u>30,850,279</u>	<u>1,587,816</u>
<u>2,085,983</u>	<u>35,704,154</u>	<u>7,407,059</u>
<u>3,191,371</u>	<u>59,498,973</u>	<u>25,827,420</u>
84,948	1,194,778	113,922
7,670	33,727	2,106,299
	318,823	156,175
2,000,000	9,205,000	
	715,000	212,740
		1,325,034
15,130	15,130	4,708,917
		150,000
<u>2,107,748</u>	<u>11,482,458</u>	<u>8,773,087</u>
	17,719,540	5,165,712
		7,055,000
	<u>17,719,540</u>	<u>12,220,712</u>
<u>2,107,748</u>	<u>29,201,998</u>	<u>20,993,799</u>
2,085,983	14,083,243	1,587,816
(1,002,360)	16,213,732	3,245,805
<u>\$ 1,083,623</u>	<u>30,296,975</u>	<u>\$ 4,833,621</u>
	148,508	
	<u>\$ 30,445,483</u>	

CITY OF LA HABRA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			
	Major Funds			
	Water	Sewer	Refuse	Housing Authority
Operating Revenues:				
Water sales	\$ 8,286,298			
Refuse billings			\$ 2,263,933	
Charges for services	337,354	\$ 791,203		\$ 1,939,513
Intergovernmental	2,000	389	5,070,239	11,630
Total Operating Revenues	<u>8,625,652</u>	<u>791,592</u>	<u>7,334,172</u>	<u>1,951,143</u>
Operating Expenses:				
Water and materials	3,497,925			
Contractual services	188,776	142,790	1,823,679	158,408
Wages and fringe benefits	938,942	269,974	46,588	61,821
Benefits and claims				
Equipment and maintenance	241,189	52,646		
Materials and supplies	142,287	15,435	5,348	
Utilities	461,275			49,456
Depreciation and amortization	352,516	182,294	9,297	350,314
Capital outlay			138,058	
Administration	1,451,454	170,281	83,316	177,811
Total Operating Expenses	<u>7,274,364</u>	<u>833,420</u>	<u>2,106,286</u>	<u>797,810</u>
Operating Income (Loss)	<u>1,351,288</u>	<u>(41,828)</u>	<u>5,227,886</u>	<u>1,153,333</u>
Nonoperating Revenues (Expenses):				
Interest income	48,448	168,368	101,261	132,516
Gain on sale of equipment				
Gain (loss) on sale of investment	(22,088)	(79,321)	(86,647)	(18,935)
Interest (expense)				(864,418)
Total Nonoperating Revenues	<u>26,360</u>	<u>89,047</u>	<u>14,614</u>	<u>(750,837)</u>
Income (Loss) Before Transfers	<u>1,377,648</u>	<u>47,219</u>	<u>5,242,500</u>	<u>402,496</u>
Transfers in	100,090			
Transfers out	(320,031)	(28,245)	(71,845)	
Change in Net Assets	<u>1,157,707</u>	<u>18,974</u>	<u>5,170,655</u>	<u>402,496</u>
Net Assets, Beginning	<u>9,901,118</u>	<u>9,406,669</u>	<u>63,300</u>	<u>3,092,433</u>
Net Assets, Ending	<u>\$ 11,058,825</u>	<u>\$ 9,425,643</u>	<u>\$ 5,233,955</u>	<u>\$ 3,494,929</u>

Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds.
Change in net assets of business-type activities

See Accompanying Notes to Financial Statements.

Business-Type Activities - Enterprise Funds Other Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
	\$ 8,286,298	
	2,263,933	
\$ 2,637,756	5,705,826	\$ 3,673,639
122,959	5,207,217	83,287
<u>2,760,715</u>	<u>21,463,274</u>	<u>3,756,926</u>
	3,497,925	
322,400	2,636,053	400,142
359,756	1,677,081	697,551
		603,418
128,212	422,047	105,806
2,845	165,915	541,135
275,625	786,356	202,832
63,748	958,169	396,023
	138,058	52,695
1,740,057	3,622,919	628,616
<u>2,892,643</u>	<u>13,904,523</u>	<u>3,628,218</u>
(131,928)	7,558,751	128,708
30,944	481,537	511,749
		(203,116)
(15,714)	(222,705)	(79,007)
	(864,418)	(586,662)
<u>15,230</u>	<u>(605,586)</u>	<u>(357,036)</u>
(116,698)	6,953,165	(228,328)
85,000	185,090	343,591
	(420,121)	(845,270)
<u>(31,698)</u>	<u>6,718,134</u>	<u>(730,007)</u>
1,115,321		5,563,628
<u>\$ 1,083,623</u>		<u>\$ 4,833,621</u>
	24,524	
	<u>\$ 6,742,658</u>	

CITY OF LA HABRA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			
	Major Funds			
	Water	Sewer	Refuse	Housing Authority
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 8,552,625	\$ 792,822	\$ 2,216,351	\$ 407,321
Receipts from interfund services provided		204,031	5,021,465	1,538,150
Payments to suppliers	(5,390,192)	(540,401)	(2,116,556)	(258,203)
Cash paid for interfund services provided	(1,343,740)	(203,736)	(165,823)	(157,756)
Payments to employees	(968,750)	(280,991)	(50,661)	(64,430)
Net Cash Provided by				
(Used in) Operating Activities	849,943	(28,275)	4,904,776	1,465,082
Cash Flows from				
Noncapital Financing Activities:				
Transfers to other funds	(320,031)	(28,245)	(71,845)	
Transfers from other funds	100,090			
Advances to other funds				
Advances from other funds	(150,000)			
Due from other funds	882,324			
Due to other funds				
Net Cash Provided by (Used in)				
Noncapital Financing Activities	512,383	(28,245)	(71,845)	
Cash Flows from				
Capital and Related Financing Activities:				
Purchase of capital assets	(491,187)	(120,913)	(138,058)	(32,839)
Proceeds from capital debt	10,500			
Principal paid on capital debt				(652,239)
Interest paid on capital debt				(864,418)
Net Cash Provided by (Used for) Capital				
and Related Financing Activities	(480,687)	(120,913)	(138,058)	(1,549,496)
Cash Flows from Investing Activities:				
(Purchase) sale of short-term investments	(22,088)	(79,321)	(86,647)	(18,935)
Interest on investments	48,448	168,368	101,261	132,516
Net Cash Provided by Investing Activities	26,360	89,047	14,614	113,581
Net Increase (Decrease)				
in Cash and Cash Equivalents	907,999	(88,386)	4,709,487	29,167
Cash and Cash Equivalents, Beginning	1,401,738	5,617,432	2,627	1,845,153
Cash and Cash Equivalents, Ending	<u>\$ 2,309,737</u>	<u>\$ 5,529,046</u>	<u>\$ 4,712,114</u>	<u>\$ 1,874,320</u>

See Accompanying Notes to Financial Statements.

Business-Type Activities - Enterprise Funds Other Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
\$ 2,589,586	\$ 14,558,705	
168,791	6,932,437	\$ 3,673,639
(2,235,055)	(10,540,407)	(2,880,555)
(335,736)	(2,206,791)	(346,971)
(203,650)	(1,568,482)	(745,011)
<u>(16,064)</u>	<u>7,175,462</u>	<u>(298,898)</u>
	(420,121)	(845,270)
85,000	185,090	343,591
		360,000
	(150,000)	
	882,324	
<u>(14,345)</u>	<u>(14,345)</u>	<u>(844,822)</u>
<u>70,655</u>	<u>482,948</u>	<u>(986,501)</u>
(402,626)	(1,185,623)	(335,199)
	10,500	(203,116)
	(652,239)	378,963
	(864,418)	(586,662)
<u>(402,626)</u>	<u>(2,691,780)</u>	<u>(746,014)</u>
(15,714)	(222,705)	(79,007)
30,944	481,537	511,749
<u>15,230</u>	<u>258,832</u>	<u>432,742</u>
(332,805)	5,225,462	(1,598,671)
1,321,242	10,188,192	6,654,847
<u>\$ 988,437</u>	<u>\$ 15,413,654</u>	<u>\$ 5,056,176</u>

(Continued)

CITY OF LA HABRA
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			
	Major Funds			
	Water	Sewer	Refuse	Housing Authority
Reconciliation of Operating Income to Net Cash				
Provided by Operating Activities:				
Operating Income (Loss)	\$ 1,351,288	\$ (41,828)	\$ 5,227,886	\$ 1,153,333
Adjustments to Reconcile				
Operating Income (Loss) to Net Cash				
Provided by (Used in) Operating Activities:				
Depreciation and amortization	352,516	182,294	9,297	350,314
Change in Assets and Liabilities:				
(Increase) decrease in receivables	(103,656)	193,205	(96,356)	(6,872)
(Increase) decrease in due from other governments				
(Increase) decrease in inventory	(3,190)			
(Increase) decrease in prepaid items	(297,444)			(6,666)
Increase (decrease) in accrued liabilities and accounts payable	(449,571)	(361,946)	(236,051)	(25,027)
Total Adjustments	(501,345)	13,553	(323,110)	311,749
Net Cash Provided by (Used in) Operating Activities	\$ 849,943	\$ (28,275)	\$ 4,904,776	\$ 1,465,082

Business-Type Activities - <u>Enterprise Funds</u> Other <u>Nonmajor Funds</u>	<u>Totals</u>	Governmental Activities - Internal <u>Service Funds</u>
\$ (131,928)	\$ 7,558,751	\$ 128,708
63,748	958,169	396,023
(2,440)	(16,119)	
		(78,739)
	(3,190)	(44,654)
8,942	(295,168)	(18,354)
<u>45,614</u>	<u>(1,026,981)</u>	<u>(681,882)</u>
<u>115,864</u>	<u>(383,289)</u>	<u>(427,606)</u>
<u>\$ (16,064)</u>	<u>\$ 7,175,462</u>	<u>\$ (298,898)</u>

CITY OF LA HABRA
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2006

<u>Assets</u>	<u>Totals</u>
Cash and investments	<u>\$ 9,972,578</u>
Total Assets	<u><u>\$ 9,972,578</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 11,549
Accrued liabilities	16,375
Deposits	<u>9,944,654</u>
Total Liabilities	<u><u>\$ 9,972,578</u></u>

See Accompanying Notes to Financial Statements.

CITY OF LA HABRA
Notes to Financial Statements
June 30, 2006

I. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of La Habra, California (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. All component units included in the reporting entity report their financial information on a fiscal year ending June 30. 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 (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.

The La Habra Civic Improvement Authority (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. Separate financial statements are not prepared for this blended component unit.

The City of La Habra Housing Authority (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. Separate financial statements are not prepared for this blended component unit.

The Community Facilities District (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. Separate financial statements are not prepared for this blended component unit.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

B. 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. As a general rule, 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. Exceptions to this general rule are charges between the government's enterprise activity functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

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.

C. 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. Agency funds, however, have no measurement focus because they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and are reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
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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 payment is due.

Property taxes, sales tax, vehicle license fees, highway users' tax, interest, and some state and federal grants are all considered to be susceptible to accrual and so have been recognized in the revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental fund types are those funds through which most governmental functions typically are financed. 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 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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in the 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 of capital projects, serves all residents of the City.

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

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

CITY OF LA HABRA
Notes to Financial Statements (Continued)
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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 Fleet Replacement 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 Benefits 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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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.

D. Assets, Liabilities and Net Assets

1. Deposits and investments

The City pools idle cash from all funds in order to maximize income from investment activities. Investments are recorded on the City's books at fair value (quoted market price or best available estimate thereof) in accordance with GASB Statement No. 31. Interest income on investments is recorded in the General Fund, except for that allocated to enterprise funds and where specifically required by law to be recorded in other funds.

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

2. Statement of Cash Flows

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

3. Receivables and Payables

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

4. Interfund Transfers

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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year is 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."

5. Taxes Receivable

Real property taxes are levied for 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.

6. Inventories, prepaid items and land held for resale

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

Land held for resale is valued at lower of cost or estimated net realizable value at June 30, 2006 and is located in the City's redevelopment project area.

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

7. 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

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Notes to Financial Statements (Continued)
June 30, 2006

historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 is 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:

<u>Type of Asset</u>	<u>Life in Years</u>
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

8. Debt Discount / 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.

9. 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

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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 compensated absences is recognized as incurred.

10. Deferred Revenue/Unearned Revenue

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

11. 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, business-type activities or proprietary fund type 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.

12. Budgets and Encumbrances

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end.

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;

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

therefore, the legal level of budgetary control is at the fund level. The council made several supplemental budgetary appropriations throughout the year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are added to the subsequent year's adopted appropriations.

13. 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.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments at June 30, 2006 consist of the following:

Statement of Net Assets:	
Cash and investments	\$ 35,705,935
Cash and investments with fiscal agents	<u>9,170,602</u>
	44,876,537
Fiduciary Funds:	
Cash and investments	<u>9,972,578</u>
Total	<u><u>\$ 54,849,115</u></u>

Cash and investments at June 30, 2006 are classified as follows:

Petty cash	\$ 1,885
Deposits with financial institutions	12,693,510
Investments	<u>42,153,720</u>
Total Cash and Investments	<u><u>54,849,115</u></u>

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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.

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
City or City Agency Bonds	5 years	10%	None
U.S. Treasury Obligations	5 years	100%	None
State of California Obligations	5 years	20%	None
California Local Agency Bonds	5 years	20%	None
U.S. Agency Obligations	5 years	100%	10%
Bankers' Acceptance	180 days	20%	5%
Commercial Paper	270 days	30%	10%
Negotiable CDs	5 years	20%	5%
Time certificates of deposit	5 years	100%	None
Repurchase Agreements	90 days	100%	None
Medium Term Notes	5 years	20 %	5%
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	100%	\$40 million per Account

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
Federal Housing Administration Debentures	None	None	None
U.S. Agency Securities	None	None	None
Unsecured CDs, time deposits and Bankers' Acceptance	30 days	None	None
FDIC Insured bank deposits	None	None	None
Commercial Paper	270 days	None	None
Money Market Funds	N/A	None	None
State Obligations	None	None	None
Pre-funded Municipal Obligations	None	None	None
Repurchase Agreements	270 days	None	None
Investment Agreements	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None

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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

Information about the sensitivity of the fair values of the City's investment 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	\$ 4,464,343		\$ 1,955,615	\$ 2,508,728
Federal agency securities	17,732,362	\$ 2,793,094	8,555,359	6,383,909
Corporate medium-term notes	5,668,375	943,451	1,704,490	3,020,434
Money market funds	182,984	182,984		
LAIF	14,105,656	14,105,656		
	<u>\$ 42,153,720</u>	<u>\$ 18,025,185</u>	<u>\$ 12,215,464</u>	<u>\$ 11,913,071</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 Types	Amount	Minimum Legal Rating	Rating as of Year End (where applicable)			
			Exempt from Disclosure	AAA	AA	Not Rated
U.S. Treasury bonds	\$ 4,464,343	Exempt	\$ 4,464,343			
Federal agency securities	17,732,362	N/A		\$ 17,732,362		
Corporate medium-term notes	5,668,375	AA		861,312	\$ 4,807,063	
Money market funds	182,984	AAA		182,984		
LAIF	14,105,656	Not Rated				\$ 14,105,656
	<u>\$ 42,153,720</u>		<u>\$ 4,464,343</u>	<u>\$ 18,776,658</u>	<u>\$ 4,807,063</u>	<u>\$ 14,105,656</u>

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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:

Issuer Name	Investment Type	Reported Amount
U.S. Treasury Bond ⁽¹⁾	U.S. Government Bond	\$ 4,464,343
Federal Home Loan Mortgage	U.S. Agency Bond	4,388,752
Federal Home Loan Bank	U.S. Agency Bond	6,091,284
Fannie Mae	U.S. Agency Bond	7,029,369

⁽¹⁾ 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, 2006, \$4,400,711 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. As of June 30, 2006, no City investments were held by the same broker-dealer (counterparty) that was used by the City to buy the securities.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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, 2000 Tax Allocation Bond, and 2003 Revenue Bond)

Investment Type	Reported Amount	Maturity	Rating
Money market and deposits	\$ 437,636	Less than 1 year	Not Rated
Investment contracts:			
Westdeutsche Landesbank	1,620,310	9/1/2022	AA
Westdeutsche Landesbank	395,460	9/1/2022	AA
Financial Guaranty Insurance	4,389,597	5/1/2007	AAA
LAIF	<u>2,327,599</u>	Less than 1 year	Not Rated
	<u>\$ 9,170,602</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 City, 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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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, 2006 was \$14,105,656.

B. Receivables

Receivables of the City as of June 30, 2006 were:

	Governmental Activities	Business-type Activities	Total
Accounts Receivables:			
Interest	\$ 142,064		\$ 142,064
Property taxes	512,065		512,065
Sales taxes	1,835,621		1,835,621
Utility taxes	492,735		492,735
RDA taxes	95,537		95,537
Other state and county	138,664		138,664
Child care	333,415		333,415
Water sales		\$ 1,253,689	1,253,689
Sewer sales		120,348	120,348
Refuse sales		330,464	330,464
Franchise Fees	510,627	37,009	547,636
Leases	48,320		48,320
Others	238,886	59,396	298,282
	4,347,934	1,800,906	6,148,840
Less Allowance for Uncollectible Accounts		(233,220)	(233,220)
Total Receivables	\$ 4,347,934	\$ 1,567,686	\$ 5,915,620

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

C. Interfund Receivables, Payables and Transfers

Interfund balances from lending/borrowing agreements consisted of the following at June 30, 2006:

Fund	Due From Other Funds	Due To Other Funds	Advances To Other Funds	Advances From Other Funds
General	\$ 1,490,675	\$ 2,175	\$ 8,374,548	\$ 5,415,000
Redevelopment Capital Projects	2,175	6,657		8,965,762
Other Nonmajor Governmental Funds		1,149,161		
Manpower				
Water	4,389,190			7,205,000
Other Nonmajor Enterprise Funds		15,130		
Internal Service Funds		4,708,917	13,211,214	
Housing Authority			2,000,000	
Mobile Home Lease				2,000,000
	<u>\$ 5,882,040</u>	<u>\$ 5,882,040</u>	<u>\$ 23,585,762</u>	<u>\$ 23,585,762</u>

The Due To/From Other Fund balances resulted from expenditures being incurred prior to receipt of the related revenue source.

The Advances To/From Other Fund 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, 2006 consisted of the following:

Transfers In	Transfers Out							Total
	General Fund	Other Capital Projects Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Refuse Fund	Internal Service Funds	
General Fund							\$ 345,270	\$ 345,270
RDA Capital Projects			\$ 992,436					992,436
Other Capital Projects Fund	\$ 2,587,821						500,000	3,087,821
Other Nonmajor Governmental Funds	24,371		1,503					25,874
Water Fund					\$ 28,245	\$ 71,845		100,090
Nonmajor Enterprise Funds	85,000							85,000
Internal Service Funds		\$ 23,560		\$ 320,031				343,591
Total	<u>\$ 2,697,192</u>	<u>\$ 23,560</u>	<u>\$ 993,939</u>	<u>\$ 320,031</u>	<u>\$ 28,245</u>	<u>\$ 71,845</u>	<u>\$ 845,270</u>	<u>\$ 4,980,082</u>

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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

D. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2006:

	Balance at July 1, 2005	Increases	Decreases	Balance at June 1, 2006
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,668,318	\$ 1,083,987		\$ 8,752,305
Construction in progress	7,202,668	637,150	\$ 7,202,668	637,150
Total capital assets not being depreciated	<u>14,870,986</u>	<u>1,721,137</u>	<u>7,202,668</u>	<u>9,389,455</u>
Capital assets being depreciated:				
Land improvements	1,141,458	5,082,333		6,223,791
Buildings and improvements	11,022,232	289,570		11,311,802
Improvements other than buildings	1,133,296			1,133,296
Machinery and equipment	5,648,138	369,015	235,450	5,781,703
Autos and trucks	4,208,713	142,781	1,128,192	3,223,302
Infrastructure	43,982,949	12,212,515		56,195,464
Total capital assets being depreciated	<u>67,136,786</u>	<u>18,096,214</u>	<u>1,363,642</u>	<u>83,869,358</u>
Less Accumulated Depreciation for:				
Land improvements	3,691	53,637		57,328
Buildings and improvements	4,918,846	264,142		5,182,988
Improvements other than buildings	883,835	5,774		889,609
Machinery and equipment	2,876,738	323,181	235,450	2,964,469
Autos and trucks	2,906,333	475,818	1,128,192	2,253,959
Infrastructure	12,240,248	1,361,693		13,601,941
Total accumulated depreciation	<u>23,829,691</u>	<u>2,484,245</u>	<u>1,363,642</u>	<u>24,950,294</u>
Total capital assets being depreciated, net	<u>43,307,095</u>	<u>15,611,969</u>		<u>58,919,064</u>
Governmental Activities Capital Assets, Net	<u>\$ 58,178,081</u>	<u>\$ 17,333,106</u>	<u>\$ 7,202,668</u>	<u>\$ 68,308,519</u>

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

	Balance at July 1, 2005	Increases	Decreases	Balance at June 1, 2006
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 12,800,000			\$ 12,800,000
Construction in progress	1,752,707	\$ 176,896	\$ 1,752,706	176,897
	14,552,707	176,896	1,752,706	12,976,897
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings and improvements	5,141,477			5,141,477
Improvements other than buildings	245,163			245,163
Machinery and equipment	375,669	354,172		729,841
Autos and trucks	26,937			26,937
Infrastructure	27,997,409	2,353,421		30,350,830
	33,786,655	2,707,593		36,494,248
Total capital assets being depreciated				
Less Accumulated Depreciation for:				
Buildings and improvements	2,836,900	231,160		3,068,060
Improvements other than buildings	153,732	12,081		165,813
Machinery and equipment	55,024	25,447		80,471
Autos and trucks		9,988		9,988
Infrastructure	14,758,062	538,471		15,296,533
	17,803,718	817,147		18,620,865
Total accumulated depreciation				
Total capital assets being depreciated, net				
	15,982,937	1,890,446		17,873,383
Business-type Activities Capital Assets, Net				
	\$ 30,535,644	\$ 2,067,342	\$ 1,752,706	\$ 30,850,280

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

Governmental Activities:	
General government	\$ 97,942
Public safety	561,532
Public works	1,524,604
Community services	283,006
Community development	17,161
	17,161
Total Depreciation Expense, Governmental Activities	\$ 2,484,245

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

E. 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, 2006:

	Balance at July 1, 2005	Increases	Decreases	Balance at June 1, 2006	Due within One Year
Governmental Activities:					
Energy loan agreement	\$ 1,080,000		\$ 10,940	\$ 1,069,060	\$ 64,360
Energy capital lease agreement	1,221,431		36,276	1,185,155	41,903
Notes payable	724,036		35,000	689,036	36,699
1999 refunding special tax bonds	2,695,000		120,000	2,575,000	125,000
2000 tax allocation bonds	7,550,000		110,000	7,440,000	115,000
	<u>13,270,467</u>		<u>312,216</u>	<u>12,958,251</u>	<u>382,962</u>
Compensated absences *	4,108,211	\$ 1,942,582	2,738,208	3,312,585	1,325,034
	<u>17,378,678</u>	<u>1,942,582</u>	<u>3,050,424</u>	<u>16,270,836</u>	<u>1,707,996</u>
Internal Service Funds Included in Governmental Activities:					
Equipment leases	15,352		15,352		
1998 certificates of participation, Series B	4,710,000		180,000	4,530,000	185,000
1998 certificates of participation, Series C	915,000		30,000	885,000	30,000
	<u>5,640,352</u>		<u>225,352</u>	<u>5,415,000</u>	<u>215,000</u>
Less unamortized discount	38,808		2,260	36,548	2,260
	<u>5,601,544</u>		<u>223,092</u>	<u>5,378,452</u>	<u>212,740</u>
Total Long-term Debt of Governmental Activities	<u>\$ 22,980,222</u>	<u>\$ 1,942,582</u>	<u>\$ 3,273,516</u>	<u>\$ 21,649,288</u>	<u>\$ 1,920,736</u>
Business-type Activities:					
1998 certificates of participation, Series A	\$ 19,220,000		\$ 660,000	\$ 18,560,000	\$ 715,000
Internal Service Funds included in business-type activities:					
2003 revenue bond, Series A	7,355,000		150,000	7,205,000	150,000
	<u>26,575,000</u>		<u>810,000</u>	<u>25,765,000</u>	<u>865,000</u>
Less unamortized discount	133,221		7,761	125,460	7,761
Total Long-term Debt of Business-type Activities	<u>\$ 26,441,779</u>	<u>\$ -</u>	<u>\$ 802,239</u>	<u>\$ 25,639,540</u>	<u>\$ 857,239</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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

1. Governmental Activities

Energy Loan Agreement and Energy Capital 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 for the acquisition of buildings and improvements. 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 \$47,216 for principal and interest during the year ended June 30, 2006.

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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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.

Equipment Lease

The City leases certain computer equipment under the terms of a capital lease agreement. The computer equipment agreement calls for monthly payments of approximately \$2,600, including interest, and expired in February 2006.

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 (Refunding 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.

2. 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 1.5000% 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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

At June 30, 2006, 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
2007	\$ 597,963	\$ 951,003	\$ 865,000	\$ 1,156,614
2008	628,210	923,119	920,000	1,123,672
2009	664,250	893,124	955,000	1,087,999
2010	695,804	861,158	1,005,000	1,049,599
2011	758,008	826,404	1,060,000	1,007,498
2012-2016	4,722,697	3,469,713	6,025,000	4,289,503
2017-2021	5,121,319	2,120,467	7,510,000	2,733,250
2022-2026	2,580,000	1,065,771	4,405,000	1,076,729
2027-2031	1,740,000	526,988	1,745,000	555,725
2032-2034	865,000	51,553	1,275,000	100,066
	18,373,251	11,689,300	25,765,000	14,180,655
Unamortized discount	<u>(36,548)</u>	<u>36,548</u>	<u>(125,460)</u>	<u>125,460</u>
Totals	<u>\$ 18,336,703</u>	<u>\$ 11,725,848</u>	<u>\$ 25,639,540</u>	<u>\$ 14,306,115</u>

III. OTHER INFORMATION

A. 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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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 10.922% and 22.464% 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, 2006, the City's annual pension cost of \$3,487,617 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, 2005, 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' 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, 2006 was 29 years. The information presented below is the latest available.

Three-Year Trend Information for PERS			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 2,387,460	100%	\$ -0-
6/30/2005	3,848,344	100%	-0-
6/30/2006	3,487,617	100%	-0-

The City's employer contribution rate for safety employees is estimated to decrease to approximately 21.728% and 21.7% for the fiscal years 2007-2008 and 2008-2009, respectively. Also, the City's employer contribution rate for miscellaneous employees is estimated to decrease to approximately 10.552% and 10.4% for the fiscal years 2007-2008 and 2008-2009.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

B. Post Employment Benefits

Fire Union Employees who retire from the City are eligible to receive reimbursement toward their medical insurance premium. For all covered employees with effective dates of retirement after April 1, 2000 and a minimum of 15 years of continuous service, the City contributes up to \$200 per month up to age 65.

The cost of retiree health care insurance benefits is recognized as an expenditure as insurance premiums are paid on a monthly basis. For the fiscal year ended June 30, 2006, those costs totaled \$4,800. As of June 30, 2006, two retired employees received post-employment benefits.

As a result of the City contracting with Los Angeles County Fire Authority to provide fire services beginning in July 2005, no further Fire Union Employees are eligible for this post-employment benefit.

C. Commitments and Contingencies

1. 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 \$1,802,193 and \$291,719 for the workers' compensation claims and general liability claims, respectively.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

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

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</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	1,646,494	480,760
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	1,377,806	282,303
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(1,222,107)</u>	<u>(471,344)</u>
Amounts of accrued claims at June 30, 2006	<u>\$ 1,802,193</u>	<u>\$ 291,719</u>

2. 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.

3. 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,

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

ranging in the aggregate up to a maximum of \$5,839,000. The remaining number of years under these agreements range from 1 to 13 years. The City remitted approximately \$674,240 during the year ended June 30, 2006.

4. Contractual Commitments

The City is involved in contractual agreements for construction in progress. As of June 30, 2006, the remaining estimated costs for the contractual agreements are approximately \$814,047.

5. 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.

6. Utility Users Tax

The City's utility 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.

CITY OF LA HABRA
Notes to Financial Statements (Continued)
June 30, 2006

D. Individual Fund Disclosures

1. Deficit Fund Balance

The following funds had deficit fund balances for the year ended June 30, 2006:

<u>Fund</u>	<u>Deficit Amount</u>
Redevelopment Capital Projects Fund	\$ 6,426,692
Measure M Special Revenue Fund	159,496
Risk Management Internal Service Fund	389,885

2. Excess of Expenditures Over Appropriations

<u>Fund</u>	<u>Amount Over Budget</u>
Redevelopment Capital Projects Fund	\$ 75,453
Other Capital Projects Fund	85,429
Law Enforcement Special Revenue Fund	39,039
Child Development Special Revenue Fund	189,906
Redevelopment Debt Service Fund	342,207

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LA HABRA
Public Employees Retirement System
Schedule of Funding Progress
June 30, 2006

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded Liability/ (Excess Assets) [(a)-(b)]	Funded Ratio [(b)/(a)]	Covered Payroll (c)	UAAL as a % of Covered Payroll {[(a)-(b)]/(c)}
06/30/03						
Misc.	\$ 44,525,841	\$ 41,083,483	\$ 3,442,358	92.3%	\$ 9,724,063	35%
Safety	<u>74,407,037</u>	<u>68,452,074</u>	<u>5,954,963</u>	<u>92.0%</u>	<u>7,119,796</u>	<u>83.6%</u>
Total	<u>\$ 118,932,878</u>	<u>\$ 109,535,557</u>	<u>\$ 9,397,321</u>	<u>92.1%</u>	<u>\$ 16,843,859</u>	<u>55.8%</u>
06/30/04						
Misc.	\$ 47,920,775	\$ 43,687,696	\$ 4,233,079	91.2%	\$ 9,678,876	43.7%
Safety	<u>80,032,426</u>	<u>72,081,689</u>	<u>7,950,737</u>	<u>90.1%</u>	<u>7,814,298</u>	<u>101.7%</u>
Total	<u>\$ 127,953,201</u>	<u>\$ 115,769,385</u>	<u>\$ 12,183,816</u>	<u>90.5%</u>	<u>\$ 17,493,174</u>	<u>69.6%</u>
6/30/2005 ⁽¹⁾						
Misc.	\$ 50,848,854	\$ 46,887,587	\$ 3,961,267	92.2%	\$ 10,098,383	39.2%
Safety	<u>2,891,460,651</u>	<u>2,588,713,000</u>	<u>302,747,651</u>	<u>89.5%</u>	<u>755,046,679</u>	<u>40.1%</u>
Total	<u>\$ 2,942,309,505</u>	<u>\$ 2,635,600,587</u>	<u>\$ 306,708,918</u>	<u>89.6%</u>	<u>\$ 765,145,062</u>	<u>40.1%</u>

⁽¹⁾ Assembly Bill 1974 added Sections 20840, 20841, and 20842 to the Government Code Allowing the CalPERS Board to create risk pools and mandate public agency participation in the pools where there are fewer than 100 active members in the organization. Article 7.5 was added to Title 2 of the California Code of Regulations establishing the criteria for participation into risk pools.

Risk pooling is the process of combining assets and liabilities across employers to produce large risk sharing pools. These risk sharing pools will help dramatically reduce or eliminate the large fluctuations in the employer's contribution rate caused by unexpected demographic events.

The significant increase in the June 30, 2005 figures for the Safety Plan reflects the City of La Habra's participation in this pool along with all other participating agencies.

See Accompanying Note to Required Supplementary Information.

CITY OF LA HABRA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance from
	Original	Final		Final Budgets
				Positive (Negative)
Revenues:				
Property taxes and special assessments	\$ 9,572,985	\$ 9,572,985	\$ 10,881,805	\$ 1,308,820
Sales and use tax	8,699,000	8,699,000	9,208,476	509,476
Utility users tax	4,665,000	4,665,000	5,128,227	463,227
Intergovernmental	880,735	880,735	440,104	(440,631)
Licenses and permits	2,738,450	2,738,450	3,003,519	265,069
Charges for services	4,534,992	4,534,992	4,164,916	(370,076)
Fines, forfeitures, and penalties	822,355	822,355	711,923	(110,432)
Use of money and property	289,385	289,385	589,221	299,836
Total Revenues	<u>32,202,902</u>	<u>32,202,902</u>	<u>34,128,191</u>	<u>1,925,289</u>
Expenditures:				
Current:				
General government	3,265,002	3,265,002	3,031,696	233,306
Public safety	19,442,478	19,442,478	19,464,975	(22,497)
Public works	4,770,143	4,770,143	4,513,122	257,021
Community services	2,830,456	2,830,456	2,922,680	(92,224)
Community development	1,394,823	1,394,823	1,169,730	225,093
Total Expenditures	<u>31,702,902</u>	<u>31,702,902</u>	<u>31,102,203</u>	<u>600,699</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>500,000</u>	<u>500,000</u>	<u>3,025,988</u>	<u>2,525,988</u>
Other Financial Sources (Uses):				
Transfers in			345,270	345,270
Transfers out			(2,697,192)	(2,697,192)
Total Other Financing Sources			<u>(2,351,922)</u>	<u>(2,351,922)</u>
Net Change in Fund Balances	500,000	500,000	674,066	174,066
Fund Balance, Beginning	<u>10,236,147</u>	<u>10,236,147</u>	<u>10,236,147</u>	
Fund Balance, Ending	<u>\$ 10,736,147</u>	<u>\$ 10,736,147</u>	<u>\$ 10,910,213</u>	<u>\$ 174,066</u>

See Accompanying Note to Required Supplementary Information.

CITY OF LA HABRA
Note to Required Supplementary Information
June 30, 2006

I. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end.

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.

Encumbrances 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.



CITY OF LA HABRA
Redevelopment Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services	\$ 4,740	\$ 26,238	\$ 21,498
Use of money and property		96,304	96,304
	<u>4,740</u>	<u>122,542</u>	<u>117,802</u>
Total Revenues			
Expenditures:			
Current:			
Community development	834,267	1,078,497	(244,230)
Capital outlay	1,617,979	1,180,699	437,280
Debt service:			
Interest		268,503	(268,503)
	<u>2,452,246</u>	<u>2,527,699</u>	<u>(75,453)</u>
Total Expenditures			
Excess (Deficiency) of			
Revenues Over Expenditures	(2,447,506)	(2,405,157)	193,255
Other Financing Sources (Uses):			
Transfers in		992,436	(992,436)
	<u>(2,447,506)</u>	<u>(1,412,721)</u>	<u>1,034,785</u>
Net Change in Fund Balance			
Fund Balance, Beginning	(5,013,971)	(5,013,971)	
Fund Balance, Ending	<u>\$ (7,461,477)</u>	<u>\$ (6,426,692)</u>	<u>\$ 1,034,785</u>

SUPPLEMENTARY INFORMATION

CITY OF LA HABRA
Redevelopment Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 4,740	\$ 26,238	\$ 21,498
Use of money and property		96,304	96,304
	<u>4,740</u>	<u>122,542</u>	<u>117,802</u>
Total Revenues			
Expenditures:			
Current:			
Community development	834,267	1,078,497	(244,230)
Capital outlay	1,617,979	1,180,699	437,280
Debt service:			
Interest		268,503	(268,503)
	<u>2,452,246</u>	<u>2,527,699</u>	<u>(75,453)</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	(2,447,506)	(2,405,157)	193,255
Other Financing Sources (Uses):			
Transfers in		992,436	(992,436)
	<u>(2,447,506)</u>	<u>(1,412,721)</u>	<u>1,034,785</u>
Net Change in Fund Balance			
Fund Balance, Beginning	(5,013,971)	(5,013,971)	
Fund Balance, Ending	<u>\$ (7,461,477)</u>	<u>\$ (6,426,692)</u>	<u>\$ 1,034,785</u>

CITY OF LA HABRA
Other Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental		\$ 552,132	\$ 552,132
Charges for services		545,600	545,600
Use of money and property		110,104	110,104
Total Revenues		<u>1,207,836</u>	<u>1,207,836</u>
Expenditures:			
Current:			
Community development	\$ 1,076,122	555,358	520,764
Capital outlay	<u>7,316,119</u>	<u>7,922,312</u>	<u>(606,193)</u>
Total Expenditures	<u>8,392,241</u>	<u>8,477,670</u>	<u>(85,429)</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,392,241)	(7,269,834)	1,293,265
Other Financing Sources (Uses):			
Transfers in		3,087,821	(3,087,821)
Transfers out		<u>(23,560)</u>	<u>23,560</u>
Total Other Financing Sources		<u>3,064,261</u>	<u>(3,064,261)</u>
Net Change in Fund Balance	(8,392,241)	(4,205,573)	4,186,668
Fund Balance, Beginning	<u>9,435,995</u>	<u>9,435,995</u>	
Fund Balance, Ending	<u><u>\$ 1,043,754</u></u>	<u><u>\$ 5,230,422</u></u>	<u><u>\$ 4,186,668</u></u>



CITY OF LA HABRA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

<u>Assets</u>	Special Revenue Funds			
	State Gas Tax	Park and Capital Development	Air Quality Improvement	Law Enforcement
Cash and investments	\$ 809,576	\$ 90,034		\$ 108,932
Cash and investments with fiscal agent			\$ 4,170	
Receivables				
Due from other governments	182,955	197,443	19,317	141,453
Land held for resale				
Total Assets	\$ 992,531	\$ 287,477	\$ 23,487	\$ 250,385
<u>Liabilities</u>				
Accounts payable	\$ 81,851	\$ 275,491	\$ 14,859	\$ 3,390
Accrued liabilities				90,371
Due to other funds			4,458	
Deferred revenue				
Total Liabilities	81,851	275,491	19,317	93,761
<u>Fund Balances</u>				
Reserved:				
Debt service				
Land held for resale				
Low-moderate income housing				
Encumbrances	286,341			
Unreserved:				
Special revenue funds	624,339	11,986	4,170	156,624
Total Fund Balances	910,680	11,986	4,170	156,624
Total Liabilities and Fund Balances	\$ 992,531	\$ 287,477	\$ 23,487	\$ 250,385

Special Revenue Funds

Child Development	Housing and Community Development	Manpower	Measure M	Public Safety Augmentation
\$ 869,769				\$ 417,639
333,415				
242,119	\$ 306,587	\$ 86,043	\$ 929,737	43,618
<u>\$ 1,445,303</u>	<u>\$ 306,587</u>	<u>\$ 86,043</u>	<u>\$ 929,737</u>	<u>\$ 461,257</u>
\$ 329,990	\$ 165,937	\$ 2,115	\$ 74,104	
36,715	5,955	5,111	363	
	51,604	27,555	1,014,766	
1,071,366				
<u>1,438,071</u>	<u>223,496</u>	<u>34,781</u>	<u>1,089,233</u>	
			468,992	
7,232	83,091	51,262	(628,488)	\$ 461,257
7,232	83,091	51,262	(159,496)	461,257
<u>\$ 1,445,303</u>	<u>\$ 306,587</u>	<u>\$ 86,043</u>	<u>\$ 929,737</u>	<u>\$ 461,257</u>

(Continued)

CITY OF LA HABRA
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2006

<u>Assets</u>	<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>	<u>Total</u>
	<u>Redevelopment Debt Service</u>	<u>Other Debt Service</u>	<u>Low-Moderate Income Housing</u>	
Cash and investments	\$ 225,013		\$ 1,625,774	\$ 4,146,737
Cash and investments with fiscal agent	282,326			286,496
Receivables	76,430		19,108	428,953
Due from other governments				2,149,272
Land held for resale			111,000	111,000
Total Assets	<u>\$ 583,769</u>	<u>\$ -</u>	<u>\$ 1,755,882</u>	<u>\$ 7,122,458</u>
 <u>Liabilities</u>				
Accounts payable	\$ 269,862		\$ 14,156	\$ 1,231,755
Accrued liabilities			2,486	141,001
Due to other funds	31,581		19,198	1,149,162
Deferred revenue				1,071,366
Total Liabilities	<u>301,443</u>		<u>35,840</u>	<u>3,593,284</u>
 <u>Fund Balances</u>				
Reserved:				
Debt service	282,326			282,326
Land held for resale			111,000	111,000
Low-moderate income housing			1,609,042	1,609,042
Encumbrances				755,333
Unreserved-undesignated				
Special revenue funds				771,473
Total Fund Balances	<u>282,326</u>		<u>1,720,042</u>	<u>3,529,174</u>
Total Liabilities and Fund Balances	<u>\$ 583,769</u>	<u>\$ -</u>	<u>\$ 1,755,882</u>	<u>\$ 7,122,458</u>



CITY OF LA HABRA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds			
	State Gas Tax	Park and Capital Development	Air Quality Improvement	Law Enforcement
Revenues:				
Property taxes and special assessments				
Intergovernmental	\$ 1,395,080	\$ 856,416	\$ 143,921	\$ 475,755
Use of money and property	1,661	13,710	664	7,175
Total Revenues	1,396,741	870,126	144,585	482,930
Expenditures:				
Current:				
General government			158,465	
Intergovernmental				
Public safety				597,527
Public works	211,346			
Manpower				
Community services				
Community development				
Capital outlay	241,603	2,046,488		
Debt service:				
Principal				
Interest expense				
Total Expenditures	452,949	2,046,488	158,465	597,527
Excess (Deficiency) of Revenues Over Expenditures	943,792	(1,176,362)	(13,880)	(114,597)
Other Financing Sources (Uses):				
Transfers in				1,504
Transfers out				
Total Other Financing Sources (Uses)				1,504
Net Change in Fund Balances	943,792	(1,176,362)	(13,880)	(113,093)
Fund Balances, Beginning	(33,112)	1,188,348	18,050	269,717
Fund Balances, Ending	\$ 910,680	\$ 11,986	\$ 4,170	\$ 156,624

Special Revenue Funds

<u>Child Development</u>	<u>Housing and Community Development</u>	<u>Manpower</u>	<u>Measure M</u>	<u>Public Safety Augmentation</u>
\$ 4,403,316 3,465	\$ 681,756	\$ 441,946	\$ 818,369	\$ 265,509 5,310
<u>4,406,781</u>	<u>681,756</u>	<u>441,946</u>	<u>818,369</u>	<u>270,819</u>
4,404,211	606,756 75,000	441,946	159,136 476,804	127,453
<u>4,404,211</u>	<u>681,756</u>	<u>441,946</u>	<u>635,940</u>	<u>127,453</u>
<u>2,570</u>			<u>182,429</u>	<u>143,366</u>
				<u>(1,504)</u>
				<u>(1,504)</u>
2,570			182,429	141,862
<u>4,662</u>	<u>83,091</u>	<u>51,262</u>	<u>(341,925)</u>	<u>319,395</u>
<u>\$ 7,232</u>	<u>\$ 83,091</u>	<u>\$ 51,262</u>	<u>\$ (159,496)</u>	<u>\$ 461,257</u>

CITY OF LA HABRA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2006

	Debt Service Funds		Capital Projects Funds	Total
	Redevelopment Debt Service	Other Debt Service	Low-Moderate Income Housing	
Revenues:				
Property taxes and special assessments	\$ 2,365,598		\$ 521,476	\$ 2,887,074
Intergovernmental				9,482,068
Use of money and property	10,076	\$ 394	48,762	91,217
Total Revenues	2,375,674	394	570,238	12,460,359
Expenditures:				
Current:				
General government				158,465
Intergovernmental	351,407			351,407
Public safety				724,980
Public works				370,482
Manpower				441,946
Community services				4,404,211
Community development			289,715	896,471
Capital outlay				2,839,895
Debt service:				
Principal	230,000	35,000		265,000
Interest expense	575,235	33,636		608,871
Total Expenditures	1,156,642	68,636	289,715	11,061,728
Excess (Deficiency) of Revenues Over Expenditures	1,219,032	(68,242)	280,523	1,398,631
Other Financing Sources (Uses):				
Transfers in		24,370		25,874
Transfers out	(992,435)			(993,939)
Total Other Financing Sources (Uses)	(992,435)	24,370		(968,065)
Net Change in Fund Balances	226,597	(43,872)	280,523	430,566
Fund Balances, Beginning	55,729	43,872	1,439,519	3,098,608
Fund Balances, Ending	\$ 282,326	\$ -	\$ 1,720,042	\$ 3,529,174

CITY OF LA HABRA
State Gas Tax Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,139,875	\$ 1,395,080	\$ 255,205
Use of money and property	10,000	1,661	(8,339)
	<u>1,149,875</u>	<u>1,396,741</u>	<u>246,866</u>
Total Revenues			
Expenditures:			
Current:			
Public works		211,346	(211,346)
Capital outlay	1,198,014	241,603	956,411
	<u>1,198,014</u>	<u>452,949</u>	<u>745,065</u>
Total Expenditures			
Net Change in Fund Balance	(48,139)	943,792	991,931
Fund Balance, Beginning	<u>(33,112)</u>	<u>(33,112)</u>	
Fund Balance, Ending	<u>\$ (81,251)</u>	<u>\$ 910,680</u>	<u>\$ 991,931</u>

CITY OF LA HABRA
Park and Capital Improvement Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,134,150	\$ 856,416	\$ (277,734)
Use of money and property	212,818	13,710	(199,108)
	<hr/>	<hr/>	<hr/>
Total Revenues	1,346,968	870,126	(476,842)
Expenditures:			
Current:			
Capital outlay	2,722,033	2,046,488	675,545
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(1,375,065)	(1,176,362)	198,703
Fund Balance, Beginning	1,188,348	1,188,348	
	<hr/>	<hr/>	<hr/>
Fund Balance, Ending	<u>\$ (186,717)</u>	<u>\$ 11,986</u>	<u>\$ 198,703</u>

CITY OF LA HABRA
Air Quality Improvement Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 135,222	\$ 143,921	\$ 8,699
Use of money and property	<u>3,000</u>	<u>664</u>	<u>(2,336)</u>
Total Revenues	138,222	144,585	6,363
Expenditures:			
Current:			
General government	<u>176,122</u>	<u>158,465</u>	<u>17,657</u>
Net Change in Fund Balance	(37,900)	(13,880)	24,020
Fund Balance, Beginning	<u>18,050</u>	<u>18,050</u>	
Fund Balance, Ending	<u><u>\$ (19,850)</u></u>	<u><u>\$ 4,170</u></u>	<u><u>\$ 24,020</u></u>

CITY OF LA HABRA
Law Enforcement Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 454,519	\$ 475,755	\$ 21,236
Use of money and property	2,000	7,175	5,175
	<hr/>	<hr/>	<hr/>
Total Revenues	456,519	482,930	26,411
Expenditures:			
Current:			
Public safety	558,488	597,527	(39,039)
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	(101,969)	(114,597)	65,450
Other Financing (Uses):			
Transfers in		1,504	1,504
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(101,969)	(113,093)	(11,124)
Fund Balance, Beginning	269,717	269,717	
	<hr/>	<hr/>	<hr/>
Fund Balance, Ending	<u>\$ 167,748</u>	<u>\$ 156,624</u>	<u>\$ (11,124)</u>

CITY OF LA HABRA
Child Development Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 4,216,905	\$ 4,403,316	\$ 186,411
Use of money and property		3,465	3,465
Total Revenues	4,216,905	4,406,781	189,876
Expenditures:			
Current:			
Community services	4,214,305	4,404,211	(189,906)
Net Change in Fund Balance	2,600	2,570	(30)
Fund Balance, Beginning	4,662	4,662	
Fund Balance, Ending	\$ 7,262	\$ 7,232	\$ (30)

CITY OF LA HABRA
Housing and Community Development Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	<u>\$ 1,046,136</u>	<u>\$ 681,756</u>	<u>\$ (364,380)</u>
Expenditures:			
Current:			
Community development	899,961	606,756	293,205
Capital outlay	<u>229,416</u>	<u>75,000</u>	<u>154,416</u>
Total Expenditures	<u>1,129,377</u>	<u>681,756</u>	<u>447,621</u>
Net Change in Fund Balance	(83,241)		83,241
Fund Balance, Beginning	<u>83,091</u>	<u>83,091</u>	
Fund Balance, Ending	<u><u>\$ (150)</u></u>	<u><u>\$ 83,091</u></u>	<u><u>\$ 83,241</u></u>

CITY OF LA HABRA
Manpower Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental	\$ 468,988	\$ 441,946	\$ (27,042)
Expenditures:			
Current:			
Manpower	468,988	441,946	27,042
Net Change in Fund Balance			
Fund Balance, Beginning	51,262	51,262	
Fund Balance, Ending	\$ 51,262	\$ 51,262	\$ -

CITY OF LA HABRA
Measure M Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ 6,688,716	\$ 818,369	\$ (5,870,347)
Expenditures:			
Current:			
Public works		159,136	(159,136)
Capital outlay	<u>7,108,559</u>	<u>476,804</u>	<u>6,631,755</u>
Total Expenditures	<u>7,108,559</u>	<u>635,940</u>	<u>6,472,619</u>
Net Change in Fund Balance	(419,843)	182,429	602,272
Fund Balance, Beginning	<u>(341,925)</u>	<u>(341,925)</u>	
Fund Balance, Ending	<u><u>\$ (761,768)</u></u>	<u><u>\$ (159,496)</u></u>	<u><u>\$ 602,272</u></u>

CITY OF LA HABRA
Public Safety Augmentation Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental	\$ 195,000	\$ 265,509	\$ 70,509
Use of money and property	<u>4,000</u>	<u>5,310</u>	<u>1,310</u>
Total Revenues	199,000	270,819	71,819
Expenditures:			
Current:			
Public safety	<u>200,000</u>	<u>127,453</u>	<u>72,547</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,000)	143,366	
Other Financing (Uses):			
Transfers out		<u>(1,504)</u>	<u>(1,504)</u>
Net Change in Fund Balance	(1,000)	141,862	142,862
Fund Balance, Beginning	<u>319,395</u>	<u>319,395</u>	
Fund Balance, Ending	<u><u>\$ 318,395</u></u>	<u><u>\$ 461,257</u></u>	<u><u>\$ 142,862</u></u>

CITY OF LA HABRA
Redevelopment Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Property taxes and special assessments	\$ 1,637,816	\$ 2,365,598	\$ 727,782
Use of money and property		10,076	10,076
	<u>1,637,816</u>	<u>2,375,674</u>	<u>737,858</u>
Total Revenues			
Expenditures:			
Current:			
Intergovernmental	9,200	351,407	(342,207)
Debt service:			
Principal	230,000	230,000	
Interest expense	575,235	575,235	
	<u>814,435</u>	<u>1,156,642</u>	<u>(342,207)</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	823,381	1,219,032	1,080,065
Other Financing Sources (Uses):			
Transfers out	<u>(508,681)</u>	<u>(992,435)</u>	<u>(483,754)</u>
Net Change in Fund Balance	314,700	226,597	(88,103)
Fund Balance, Beginning	<u>55,729</u>	<u>55,729</u>	
Fund Balance, Ending	<u>\$ 370,429</u>	<u>\$ 282,326</u>	<u>\$ (88,103)</u>

CITY OF LA HABRA
Other Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property		\$ 394	\$ 394
Expenditures:			
Debt service:			
Principal	\$ 35,000	35,000	
Interest expense	33,636	33,636	
Total Expenditures	68,636	68,636	
Excess (Deficiency) of Revenues Over Expenditures	(68,636)	(68,242)	394
Other Financing Sources (Uses):			
Transfers in		24,370	24,370
Net Change in Fund Balance	(68,636)	(43,872)	24,764
Fund Balance, Beginning	43,872	43,872	
Fund Balance, Ending	\$ (24,764)	\$ -	\$ 24,764

CITY OF LA HABRA
Low-Moderate Income Housing Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes and special assessments	\$ 339,454	\$ 521,476	\$ 182,022
Use of money and property	20,000	48,762	28,762
Total Revenues	359,454	570,238	210,784
Expenditures:			
Current:			
Community development	451,037	289,715	161,322
Net Change in Fund Balance	(91,583)	280,523	372,106
Fund Balance, Beginning	1,439,519	1,439,519	
Fund Balance, Ending	\$ 1,347,936	\$ 1,720,042	\$ 372,106

CITY OF LA HABRA
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2006

	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 160	\$ 988,277	\$ 988,437
Accounts receivable, net	43,343	16,053	59,396
Prepaid items		12,594	12,594
Due from other governments	44,961		44,961
	<u>88,464</u>	<u>1,016,924</u>	<u>1,105,388</u>
Total Current Assets			
Noncurrent Assets:			
Property, plant, and equipment, net	<u>559,597</u>	<u>1,526,386</u>	<u>2,085,983</u>
	<u>648,061</u>	<u>2,543,310</u>	<u>3,191,371</u>
Total Assets			
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	6,543	78,405	84,948
Accrued liabilities	7,670		7,670
Due to other funds	15,130		15,130
Advances from other funds		2,000,000	2,000,000
	<u>29,343</u>	<u>2,078,405</u>	<u>2,107,748</u>
Total Liabilities			
<u>Net Assets</u>			
Invested in capital assets	559,597	1,526,386	2,085,983
Unrestricted (deficit)	<u>59,121</u>	<u>(1,061,481)</u>	<u>(1,002,360)</u>
	<u>\$ 618,718</u>	<u>\$ 464,905</u>	<u>\$ 1,083,623</u>
Total Net Assets			

CITY OF LA HABRA
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2006

	<u>Children's Museum</u>	<u>Mobile Home Lease</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 315,178	\$ 2,322,578	\$ 2,637,756
Intergovernmental	122,959		122,959
Total Operating Revenues	<u>438,137</u>	<u>2,322,578</u>	<u>2,760,715</u>
Operating Expenses:			
Contractual services	45,048	277,352	322,400
Wages and fringe benefits	359,756		359,756
Equipment and maintenance	23,612	104,600	128,212
Materials and supplies	2,845		2,845
Utilities	27,200	248,425	275,625
Depreciation and amortization	34,733	29,015	63,748
Administration	49,232	1,690,825	1,740,057
Total Operating Expenses	<u>542,426</u>	<u>2,350,217</u>	<u>2,892,643</u>
Operating Income (Loss)	<u>(104,289)</u>	<u>(27,639)</u>	<u>(131,928)</u>
Nonoperating Revenues (Expenses):			
Interest income	202	30,742	30,944
Gain (loss) on sale of investment	275	(15,989)	(15,714)
Total Nonoperating Revenues	<u>477</u>	<u>14,753</u>	<u>15,230</u>
Income (Loss) Before Transfers	<u>(103,812)</u>	<u>(12,886)</u>	<u>(116,698)</u>
Transfers in	<u>85,000</u>		<u>85,000</u>
Changes in Net Assets	<u>(18,812)</u>	<u>(12,886)</u>	<u>(31,698)</u>
Net Assets, Beginning	<u>637,530</u>	<u>477,791</u>	<u>1,115,321</u>
Net Assets, Ending	<u>\$ 618,718</u>	<u>\$ 464,905</u>	<u>\$ 1,083,623</u>

CITY OF LA HABRA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2006

	Children's Museum	Mobile Home Lease	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 278,346	\$ 2,311,240	\$ 2,589,586
Receipts from interfund services provided	168,791		168,791
Payments to suppliers	(55,519)	(2,179,536)	(2,235,055)
Cash paid for internal services provided	(259,100)	(76,636)	(335,736)
Payments to employees	(203,650)		(203,650)
	<u>(71,132)</u>	<u>55,068</u>	<u>(16,064)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	85,000		85,000
Due to other funds	(14,345)		(14,345)
	<u>70,655</u>		<u>70,655</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets		(402,626)	(402,626)
Cash Flows from Investing Activities:			
(Purchase) sale of short-term investments	275	(15,989)	(15,714)
Interest on investments	202	30,742	30,944
	<u>477</u>	<u>14,753</u>	<u>15,230</u>
Net Increase (Decrease) in Cash and Cash Equivalents		(332,805)	(332,805)
Cash and Cash Equivalents at Beginning of Year	<u>160</u>	<u>1,321,082</u>	<u>1,321,242</u>
Cash and Cash Equivalents at End of Year	<u>\$ 160</u>	<u>\$ 988,277</u>	<u>\$ 988,437</u>

(Continued)

CITY OF LA HABRA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
For the Year Ended June 30, 2006

	Children's Museum	Mobile Home Lease	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (104,289)	\$ (27,639)	\$ (131,928)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and amortization	34,733	29,015	63,748
Change in Assets and Liabilities:			
(Increase) decrease in receivables	8,897	(11,337)	(2,440)
(Increase) decrease in prepaid items		8,942	8,942
Increase (decrease) in accrued liabilities and accounts payable	(10,473)	56,087	45,614
Total Adjustments	33,157	82,707	115,864
Net Cash Provided by (Used in) Operating Activities	\$ (71,132)	\$ 55,068	\$ (16,064)



CITY OF LA HABRA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

	Fleet Management	Risk Management	Information Systems
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 393,060	\$ 1,722,575	\$ 737,397
Prepaid items			
Due from other governments	4,549		488
Advances to other funds			
Inventory	46,293		
Total Current Assets	443,902	1,722,575	737,885
Noncurrent Assets:			
Cash and investments with fiscal agents			
Deferred charges			
Capital assets, net of accumulated depreciation			103,416
Total Noncurrent Assets			103,416
Total Assets	443,902	1,722,575	841,301
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	76,227	16,182	7,703
Accrued liabilities	6,804	2,096,278	3,217
Accrued interest			
Compensated absences			
Due to other funds			
Certificates of participation, current			
Water revenue bond, current			
Total Current Liabilities	83,031	2,112,460	10,920
Noncurrent Liabilities:			
Certificates of participation			
Water revenue bond			
Total Noncurrent Liabilities			
Total Liabilities	83,031	2,112,460	10,920
<u>Net Assets</u>			
Invested in capital assets			103,416
Unrestricted (deficit)	360,871	(389,885)	726,965
Total Net Assets	\$ 360,871	\$ (389,885)	\$ 830,381

Civic Improvement Authority	Fleet Replacement	Employee Benefits	Totals
	\$ 878,110	\$ 1,325,034	\$ 5,056,176
	18,354		18,354
	83,287		88,324
\$ 13,211,214			13,211,214
			46,293
<u>13,211,214</u>	<u>979,751</u>	<u>1,325,034</u>	<u>18,420,361</u>
4,887,799			4,887,799
931,444			931,444
	1,484,400		1,587,816
<u>5,819,243</u>	<u>1,484,400</u>		<u>7,407,059</u>
<u>19,030,457</u>	<u>2,464,151</u>	<u>1,325,034</u>	<u>25,827,420</u>
	13,810		113,922
			2,106,299
156,175			156,175
		1,325,034	1,325,034
4,708,917			4,708,917
212,740			212,740
150,000			150,000
<u>5,227,832</u>	<u>13,810</u>	<u>1,325,034</u>	<u>8,773,087</u>
5,165,712			5,165,712
7,055,000			7,055,000
<u>12,220,712</u>			<u>12,220,712</u>
<u>17,448,544</u>	<u>13,810</u>	<u>1,325,034</u>	<u>20,993,799</u>
	1,484,400		1,587,816
1,581,913	965,941		3,245,805
<u>\$ 1,581,913</u>	<u>\$ 2,450,341</u>	<u>\$ -</u>	<u>\$ 4,833,621</u>

CITY OF LA HABRA
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2006

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
Operating Revenues:			
Charges for services	\$ 756,960	\$ 1,522,560	\$ 623,601
Intergovernmental			
Total Operating Revenues	<u>756,960</u>	<u>1,522,560</u>	<u>623,601</u>
Operating Expenses:			
Contractual services	96,203	157,248	137,533
Wages and fringe benefits	304,365	157,200	235,986
Benefits and claims		603,418	
Equipment and maintenance	17,491	952	85,548
Materials and supplies	357,925		182,106
Capital outlay	52,695		
Utilities			202,832
Depreciation and amortization			29,883
Administration	<u>23,467</u>	<u>603,249</u>	<u>1,900</u>
Total Operating Expenses	<u>852,146</u>	<u>1,522,067</u>	<u>875,788</u>
Operating Income (Loss)	<u>(95,186)</u>	<u>493</u>	<u>(252,187)</u>
Nonoperating Revenues (Expenses):			
Interest income	12,663	54,901	28,161
Interest (expense)			(458)
Loss on sale of assets			
Gain (loss) on sale of investment	<u>(4,963)</u>	<u>(24,473)</u>	<u>(9,830)</u>
Total Nonoperating Revenues	<u>7,700</u>	<u>30,428</u>	<u>17,873</u>
Income (Loss) Before Transfers	<u>(87,486)</u>	<u>30,921</u>	<u>(234,314)</u>
Transfers in			
Transfers out			
Changes in Net Assets	<u>(87,486)</u>	<u>30,921</u>	<u>(234,314)</u>
Net Assets, Beginning	<u>448,357</u>	<u>(420,806)</u>	<u>1,064,695</u>
Net Assets, Ending	<u>\$ 360,871</u>	<u>\$ (389,885)</u>	<u>\$ 830,381</u>

Civic Improvement Authority	Fleet Replacement	Employee Benefits	Totals
	\$ 452,268	\$ 318,250	\$ 3,673,639
	83,287		83,287
	535,555	318,250	3,756,926
\$ 9,158			400,142
			697,551
			603,418
	1,815		105,806
	1,104		541,135
			52,695
			202,832
51,297	314,843		396,023
			628,616
60,455	317,762		3,628,218
(60,455)	217,793	318,250	128,708
326,992	37,822	51,210	511,749
(586,204)			(586,662)
	(203,116)		(203,116)
2,981	(18,532)	(24,190)	(79,007)
(256,231)	(183,826)	27,020	(357,036)
(316,686)	33,967	345,270	(228,328)
320,031	23,560		343,591
	(500,000)	(345,270)	(845,270)
3,345	(442,473)		(730,007)
1,578,568	2,892,814		5,563,628
\$ 1,581,913	\$ 2,450,341	\$ -	\$ 4,833,621

CITY OF LA HABRA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

	<u>Fleet Management</u>	<u>Risk Management</u>	<u>Information Systems</u>
Cash Flows from Operating Activities:			
Receipts from interfund services provided	\$ 756,960	\$ 1,522,560	\$ 623,601
Payments to suppliers	(556,203)	(1,393,212)	(657,111)
Cash paid for interfund services provided	(19,092)	(5,040)	
Payments to employees	(312,526)	(184,915)	(247,570)
	<u>(130,861)</u>	<u>(60,607)</u>	<u>(281,080)</u>
Net Cash Provided by (Used in) Operating Activities			
Cash Flows from Noncapital Financing Activities:			
Transfers to other funds			
Transfers from other funds			
Advances to other funds			
Due to other funds			
	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided by (Used in) Noncapital Financing Activities			
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets			(51,332)
Loss on sale of capital assets			
Principal paid on capital debt			
Interest paid on capital debt			(458)
	<u> </u>	<u> </u>	<u>(51,790)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities			
Cash Flows from Investing Activities:			
(Purchase) sale of short-term investments	(4,963)	(24,473)	(9,830)
Interest on investments	12,663	54,901	28,161
	<u>7,700</u>	<u>30,428</u>	<u>18,331</u>
Net Cash Provided by Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(123,161)	(30,179)	(314,539)
Cash and Cash Equivalents, Beginning	<u>516,221</u>	<u>1,752,754</u>	<u>1,051,936</u>
Cash and Cash Equivalents, Ending	<u>\$ 393,060</u>	<u>\$ 1,722,575</u>	<u>\$ 737,397</u>

Civic Improvement Authority	Fleet Replacement	Employee Benefits	Totals
\$ (9,158)	\$ 452,268	\$ 318,250	\$ 3,673,639
(4,589)	(264,871)	(318,250)	(2,880,555)
			(346,971)
			(745,011)
<u>(13,747)</u>	<u>187,397</u>		<u>(298,898)</u>
	(500,000)	(345,270)	(845,270)
320,031	23,560		343,591
360,000			360,000
<u>(844,822)</u>			<u>(844,822)</u>
<u>(164,791)</u>	<u>(476,440)</u>	<u>(345,270)</u>	<u>(986,501)</u>
	(283,867)		(335,199)
	(203,116)		(203,116)
378,963			378,963
<u>(586,204)</u>			<u>(586,662)</u>
<u>(207,241)</u>	<u>(486,983)</u>		<u>(746,014)</u>
2,981	(18,532)	(24,190)	(79,007)
<u>326,992</u>	<u>37,822</u>	<u>51,210</u>	<u>511,749</u>
<u>329,973</u>	<u>19,290</u>	<u>27,020</u>	<u>432,742</u>
(55,806)	(756,736)	(318,250)	(1,598,671)
<u>55,806</u>	<u>1,634,846</u>	<u>1,643,284</u>	<u>6,654,847</u>
<u>\$ -</u>	<u>\$ 878,110</u>	<u>\$ 1,325,034</u>	<u>\$ 5,056,176</u>

CITY OF LA HABRA
Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2006

	Fleet Management	Risk Management	Information Systems
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (95,186)	\$ 493	\$ (252,187)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and amortization			29,883
Change in Assets and Liabilities:			
(Increase) decrease in due from other governments	(4,549)	9,585	(488)
(Increase) decrease in inventory	(44,654)		
(Increase) decrease in prepaid items			
Increase (decrease) in accounts payable and accrued liabilities	13,528	(70,685)	(58,288)
Total Adjustments	(35,675)	(61,100)	(28,893)
Net Cash Provided by (Used in) Operating Activities	\$ (130,861)	\$ (60,607)	\$ (281,080)

<u>Civic Improvement Authority</u>	<u>Fleet Replacement</u>	<u>Employee Benefits</u>	<u>Totals</u>
<u>\$ (60,455)</u>	<u>\$ 217,793</u>	<u>\$ 318,250</u>	<u>\$ 128,708</u>
51,297	314,843		396,023
	(83,287)		(78,739)
	(18,354)		(44,654)
			(18,354)
<u>(4,589)</u>	<u>(243,598)</u>	<u>(318,250)</u>	<u>(681,882)</u>
<u>46,708</u>	<u>(30,396)</u>	<u>(318,250)</u>	<u>(427,606)</u>
<u><u>\$ (13,747)</u></u>	<u><u>\$ 187,397</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (298,898)</u></u>



CITY OF LA HABRA
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>Assets</u>				
Cash and investments	\$ 9,037,429	\$ 2,251,863	\$ 1,316,714	\$ 9,972,578
Total Assets	<u>\$ 9,037,429</u>	<u>\$ 2,251,863</u>	<u>\$ 1,316,714</u>	<u>\$ 9,972,578</u>
 <u>Liabilities</u>				
Accounts payable	\$ 421,551	\$ 338,957	\$ 748,959	\$ 11,549
Accrued liabilities	17,482	107,620	108,727	16,375
Deposits	8,598,396	2,873,149	1,526,891	9,944,654
Total Liabilities	<u>\$ 9,037,429</u>	<u>\$ 3,319,726</u>	<u>\$ 2,384,577</u>	<u>\$ 9,972,578</u>



STATISTICAL SECTION

STATISTICAL SECTION
Financial Trends

CITY OF LA HABRA
Net Assets by Component
Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Governmental Activities				
Invested in capital assets, net of related debt	\$ 27,013,799	\$ 38,141,590	\$ 51,744,947	\$ 60,254,071
Restricted	4,542,690	2,135,692	2,125,116	2,425,184
Unrestricted	25,086,148	18,324,199	11,668,265	8,769,044
Total Governmental Activities Net Assets	<u>\$ 56,642,637</u>	<u>\$ 58,601,481</u>	<u>\$ 65,538,328</u>	<u>\$ 71,448,299</u>
Business-type Activities				
Invested in capital assets, net of related debt	\$ 11,948,919	\$ 9,357,868	\$ 13,069,789	\$ 14,083,243
Restricted	1,621,849			
Unrestricted	8,690,425	13,299,092	10,633,039	16,362,240
Total Business-type Activities Net Assets	<u>\$ 22,261,193</u>	<u>\$ 22,656,960</u>	<u>\$ 23,702,828</u>	<u>\$ 30,445,483</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 38,962,718	\$ 47,499,458	\$ 64,814,733	\$ 74,337,314
Restricted	6,164,539	2,135,692	2,125,116	2,425,184
Unrestricted	33,776,573	31,623,291	22,301,304	25,131,284
Total Primary Government Net Assets	<u>\$ 78,903,830</u>	<u>\$ 81,258,441</u>	<u>\$ 89,241,153</u>	<u>\$ 101,893,782</u>

Source: Finance Office, City of La Habra

The City implemented GASB 34 for the fiscal year ended June 30, 2003.
Schedules presenting government-wide information include information beginning in that year.

CITY OF LA HABRA
Changes in Net Assets
Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General government	\$ 4,366,256	\$ 4,908,401	\$ 3,740,025	\$ 2,466,028
Intergovernmental	147,666	405,876	392,850	351,407
Public safety	16,255,125	17,673,769	19,176,709	20,751,487
Public works	5,165,411	5,512,565	5,525,165	5,829,033
Manpower	1,790,020	651,364	411,959	441,946
Community services	6,954,095	6,949,893	7,149,700	7,609,897
Community development	3,396,903	2,813,028	3,401,359	3,717,217
Interest on long-term debt	1,235,886	1,229,418	975,885	824,152
Total governmental activities expenses	<u>39,311,362</u>	<u>40,144,314</u>	<u>40,773,652</u>	<u>41,991,167</u>
Business-type Activities:				
Water	7,111,037	7,242,103	7,198,574	7,591,959
Sewer	607,387	888,690	994,576	912,741
Housing Authority	1,620,563	1,676,726	1,701,542	1,681,163
Other business activities	4,900,125	4,988,149	4,764,065	5,101,290
Total business-type activities expenses	<u>14,239,112</u>	<u>14,795,668</u>	<u>14,658,757</u>	<u>15,287,153</u>
Total Primary Government Expenses	<u>\$ 53,550,474</u>	<u>\$ 54,939,982</u>	<u>\$ 55,432,409</u>	<u>\$ 57,278,320</u>
Program Revenues				
Governmental Activities:				
Charges for services				
General government	\$ 11,477	\$ 1,204	\$ 3,668	\$ 1,940
Public safety	2,152,221	3,022,676	2,674,842	3,272,096
Community services	1,185,931	1,132,402	1,086,984	1,739,998
Community development	1,335,490	1,052,934	960,996	1,268,886
Operating grants and contributions	7,749,881	6,927,062	9,667,385	6,155,825
Capital grants and contributions	3,904,341	3,581,386	2,617,891	2,841,673
Total governmental activities program revenues	<u>16,339,341</u>	<u>15,717,664</u>	<u>17,011,766</u>	<u>15,280,418</u>
Business-type Activities:				
Charges for services:				
Water	6,106,848	7,561,979	7,517,970	8,625,652
Sewer	542,569	700,340	914,135	791,592
Housing authority	1,811,363	1,857,585	1,957,341	1,951,143
Other business-type activities	4,668,265	4,613,838	4,893,092	10,094,887
Total business-type activities program revenues	<u>13,129,045</u>	<u>14,733,742</u>	<u>15,282,538</u>	<u>21,463,274</u>
Total Primary Government Program Revenues	<u>\$ 29,468,386</u>	<u>\$ 30,451,406</u>	<u>\$ 32,294,304</u>	<u>\$ 36,743,692</u>

CITY OF LA HABRA
Changes in Net Assets
Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue:				
Governmental activities	\$(22,972,021)	\$(24,426,650)	\$(23,761,886)	\$ (26,710,749)
Business-type activities	(1,110,067)	(61,926)	623,781	6,176,121
Total Primary Government Net Expense	<u>\$(24,082,088)</u>	<u>\$(24,488,576)</u>	<u>\$(23,138,105)</u>	<u>\$ (20,534,628)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 7,108,330	\$ 7,566,606	\$ 11,634,029	\$ 13,768,880
Sales and use taxes	8,658,378	8,098,753	8,836,139	9,208,476
Utility users tax	4,469,335	4,712,780	4,765,367	5,128,226
Franchise fees	1,659,466	1,704,822	1,689,369	1,807,537
Other taxes	195,675	283,436	599,921	399,436
Grants and contributions not restricted to specific programs	3,666,960	2,800,517	1,696,647	705,613
Income from property and investments	1,533,247	172,725	757,030	801,623
Other general revenues	1,308,356	1,130,855	796,231	885,929
Transfers	(85,000)	(85,000)	(76,000)	(85,000)
Total Governmental Activities	<u>28,514,747</u>	<u>26,385,494</u>	<u>30,698,733</u>	<u>32,620,720</u>
Business-type Activities:				
Income from property and investments	283,035	372,693	346,084	481,537
Gain on sale of capital assets	262			
Gain on sale of investment	195,881			
Other general revenues				
Transfers	85,000	85,000	76,000	85,000
Total business-type activities	<u>564,178</u>	<u>457,693</u>	<u>422,084</u>	<u>566,537</u>
Total Primary Government	<u>\$ 29,078,925</u>	<u>\$ 26,843,187</u>	<u>\$ 31,120,817</u>	<u>\$ 33,187,257</u>
Change in Net Assets				
Governmental activities	\$ 5,542,726	\$ 1,958,844	\$ 6,936,847	\$ 5,909,971
Business-type activities	(545,889)	395,767	1,045,865	6,742,658
Total Primary Government	<u>\$ 4,996,837</u>	<u>\$ 2,354,611</u>	<u>\$ 7,982,712</u>	<u>\$ 12,652,629</u>

Source: Finance Office, City of La Habra

The City implemented GASB 34 for the fiscal year ended June 30, 2003.

Schedules presenting government-wide information include information beginning in that year.

CITY OF LA HABRA
Fund Balances of Governmental Funds
Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Reserved	\$ 7,580,149	\$ 2,027,017	\$ 2,518,385	\$ 2,984,541
Unreserved	1,482,228	6,816,442	7,717,762	7,925,672
Total general fund	<u>\$ 9,062,377</u>	<u>\$ 8,843,459</u>	<u>\$ 10,236,147</u>	<u>\$ 10,910,213</u>
All other governmental funds				
Reserved	\$ 2,295,717	\$ 5,320,954	\$ 3,811,387	\$ 6,530,768
Unreserved undesignated, reported in:				
Special revenue funds	3,701,502	2,078,084	728,328	771,473
Debt service funds	(91,918)	(207,873)	(178,299)	
Capital projects funds	11,192,298	7,818,828	3,159,216	(4,969,337)
Total All Other Governmental Funds	<u>\$ 17,097,599</u>	<u>\$ 15,009,993</u>	<u>\$ 7,520,632</u>	<u>\$ 2,332,904</u>

Source: Finance Office, City of La Habra

The City implemented GASB 34 for the fiscal year ended June 30, 2003.

Schedules presenting government-wide information include information beginning in that year.

CITY OF LA HABRA
Changes in Fund Balances of Governmental Funds
Last Four Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Property taxes and special assessments	\$ 7,304,005	\$ 7,850,042	\$ 11,634,029	\$13,768,879
Sales and use tax	8,350,697	8,222,600	8,580,008	9,208,476
Utility users tax	4,469,335	4,712,780	4,765,367	5,128,227
Intergovernmental	15,511,486	13,172,100	13,939,559	10,474,304
Licenses and permits	2,551,969	2,659,088	2,609,181	3,003,519
Charges for services	4,171,819	4,072,499	4,111,510	4,736,754
Fines, forfeitures and penalties	489,987	557,614	624,665	711,923
Use of money and property	1,782,109	875,324	1,201,020	886,846
Total revenue	<u>44,631,407</u>	<u>42,122,047</u>	<u>47,465,339</u>	<u>47,918,928</u>
Expenditures				
General government	3,194,518	4,019,240	3,794,454	3,190,161
Intergovernmental	147,666	405,876	392,850	351,407
Public safety	16,131,193	17,596,969	19,008,603	20,189,955
Public works	4,326,013	4,563,727	4,348,452	4,883,604
Manpower	1,790,020	651,364	411,959	441,946
Community services	6,809,351	6,826,434	7,006,481	7,326,891
Community development	3,388,911	2,805,036	3,363,698	3,700,056
Capital outlay	6,742,010	6,577,885	15,079,158	11,942,906
Debt service:				
Principal	236,875	283,966	568,967	265,000
Interest expense	1,238,096	1,215,411	929,510	877,374
Total expenditures	<u>44,004,653</u>	<u>44,945,908</u>	<u>54,904,132</u>	<u>53,169,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>626,754</u>	<u>(2,823,861)</u>	<u>(7,438,793)</u>	<u>(5,250,372)</u>
Other financing sources (uses)				
Proceeds from note payable	350,000	705,948	1,608,437	
Transfers in	4,648,758	1,706,004	1,817,542	4,451,401
Transfers out	<u>(4,733,758)</u>	<u>(1,894,615)</u>	<u>(2,083,859)</u>	<u>(3,714,691)</u>
Total other financing sources (uses)	<u>265,000</u>	<u>517,337</u>	<u>1,342,120</u>	<u>736,710</u>
Net change in fund balances	<u>\$ 891,754</u>	<u>\$ (2,306,524)</u>	<u>\$ (6,096,673)</u>	<u>\$ (4,513,662)</u>
Debt service as a percentage of noncapital expenditures	4%	4%	4%	3%

Source: Finance Office, City of La Habra

The City implemented GASB 34 for the fiscal year ended June 30, 2003.
Schedules presenting government-wide information include information beginning in that year.



STATISTICAL SECTION
Revenue Capacity

CITY OF LA HABRA
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Secured Valuation	Unsecured Valuation	Total Taxable Assessed Value	Total Direct Tax rate
1997	\$ 2,212,942,986	\$ 124,607,886	\$ 2,337,550,872	1.00%
1998	2,193,566,081	103,060,866	2,296,626,947	1.00%
1999	2,241,540,147	103,742,789	2,345,282,936	1.00%
2000	2,404,303,084	102,575,166	2,506,878,250	1.00%
2001	2,645,834,633	123,622,193	2,769,456,826	1.00%
2002	2,867,047,662	140,161,962	3,007,209,624	1.00%
2003	3,008,917,762	110,654,038	3,119,571,800	1.00%
2004	3,242,829,033	107,812,811	3,350,641,844	1.00%
2005	3,486,867,442	111,174,645	3,598,042,087	1.00%
2006	3,849,648,253	113,067,353	3,962,715,606	1.00%

Sources: Hinderliter, De Llamas and Associates
Orange County Assessor's Office

Note: Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

CITY OF LA HABRA
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

	Fiscal Year					
	1997	1998	1999	2000	2001	2002
City Direct Rates:						
City basic rate	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
Total City Direct Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Overlapping Rates:						
School System	0.00000	0.00000	0.00000	0.0000	0.0000	0.01597
Metropolitan Water District	<u>0.00890</u>	<u>0.00890</u>	<u>0.00890</u>	<u>0.00890</u>	<u>0.00890</u>	<u>0.00770</u>
Total Direct Rate	<u><u>1.00890</u></u>	<u><u>1.00890</u></u>	<u><u>1.00890</u></u>	<u><u>1.00890</u></u>	<u><u>1.00890</u></u>	<u><u>1.02367</u></u>

Source: Orange County Assessor's Office

Fiscal Year			
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
1.0000	1.0000	1.0000	1.0000
0.05971	0.05671	0.05099	0.05157
<u>0.00670</u>	<u>0.00610</u>	<u>0.00580</u>	<u>0.00520</u>
<u><u>1.06641</u></u>	<u><u>1.06281</u></u>	<u><u>1.05679</u></u>	<u><u>1.05677</u></u>

CITY OF LA HABRA
Principal Property Taxpayers
Current and Five Years Ago

Taxpayer	2006		2002	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
La Habra Associates LLC	\$ 79,865,328	1.96%		0.00%
American Food & Drug Inc.	68,500,478	1.68%	\$ 88,453,673	2.86%
La Habra Westridge Partners	55,613,640	1.36%	23,387,580	0.76%
Ralphs Grocery Company	39,067,903	0.96%		0.00%
NF La Habra Investors	26,599,267	0.65%		0.00%
Essex Portfolio	22,792,560	0.56%	21,084,297	0.68%
Fullerton Joint Union High School District	22,474,244	0.55%	20,789,849	0.67%
City of La Habra	21,542,678	0.53%	32,429,719	1.05%
Shea Homes	18,552,949	0.45%		0.00%
La Habra Imperial LLC	17,469,398	0.43%		0.00%
Trol Realty LLC		0.00%	48,840,621	1.58%
M & H Realty Partners L P		0.00%	37,447,089	1.21%
Townhouse Apartments At Slate Creek		0.00%	20,119,500	0.65%
Bank First Security of Utah Trust		0.00%	19,139,760	0.62%
Westridge Golf Inc.		0.00%	17,188,061	0.56%
Top Ten Assessed Value	\$ 372,478,445	9.12%	\$ 328,880,149	10.63%
Total Assessed Value	<u>\$4,083,951,176</u>		<u>\$3,094,428,809</u>	

Source: Orange County Assessor's Office

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

CITY OF LA HABRA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	\$ 5,071,311	\$ 4,916,219	96.94%	\$ 143,433	\$ 5,059,652	99.77%
1998	5,358,636	5,034,663	93.95%	64,003	5,098,666	95.15%
1999	5,443,969	5,303,481	97.42%	86,275	5,389,756	99.00%
2000	5,827,592	5,746,331	98.61%	91,001	5,837,332	100.17%
2001	6,619,210	6,551,895	98.98%	125,222	6,677,117	100.87%
2002	7,179,490	7,047,354	98.16%	108,436	7,155,790	99.67%
2003	7,132,703	6,996,398	98.09%	122,715	7,119,113	99.81%
2004	7,689,081	7,456,853	96.98%	179,062	7,635,915	99.31%
2005	7,785,149	7,661,313	98.41%	125,325	7,786,638	100.02%
2006	9,263,705	9,073,384	97.95%	186,799	9,260,183	99.96%

Source: Orange County Auditor Controller's Office

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.



STATISTICAL SECTION
Debt Capacity



CITY OF LA HABRA
Ratios of Outstanding Debt by Type
Last Three Fiscal Years

Governmental Activities

Fiscal Year Ended June 30	Certificates of Participation	Tax Allocation Bonds	Special Tax Bonds	Notes Payable	Loan Payable	Contract and Lease Payable
2004	\$ 5,783,931	\$ 7,655,000	\$ 2,810,000	\$1,762,348		\$ 172,109
2005	5,586,192	7,550,000	2,695,000	724,036	\$1,080,000	1,236,783
2006	5,378,452	7,440,000	2,575,000	689,036	1,069,060	1,185,155

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

² These ratios are calculated using personal income and population for the prior calendar year.

Governmental Activities		Business-type Activities					
Total							
Compensated Absences	Governmental Long-term Debt	Certificates of Participation	Revenue Bonds	Total Business-type Activities	Total Primary Government	Percentage of Personal Income 2	Debt Per Capita 2
\$3,946,916	\$22,130,304	\$19,664,018	\$7,500,000	\$27,164,018	\$49,294,322	1.92%	\$ 1,177
4,108,211	22,980,222	19,086,779	7,355,000	26,441,779	49,422,001	1.84%	1,138
3,312,585	21,649,288	18,434,540	7,205,000	25,639,540	47,288,828	1.68%	1,036

CITY OF LA HABRA
Ratio of General Bonded Debt Outstanding
Last Two Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt (2)			Percent of Assessed Value (1)	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
2005	n/a	n/a	n/a	n/a	n/a
2006	n/a	n/a	n/a	n/a	n/a

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

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

⁽²⁾ The City of La Habra had no general obligation debt outstanding.

CITY OF LA HABRA
Direct and Overlapping Debt
June 30, 2006

2005-06 Assessed Valuation		\$3,962,715,606	
Redevelopment Incremental Valuation		231,171,570	
Adjusted Assessed Valuation		\$3,731,544,036	
	% Age	Outstanding	Estimated
	Applicable (1)	Debt 6/30/06	Share of
			Overlapping
			Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Orange County Teeter Plan Obligation	1.211%	\$ 123,725,000	1,498,310
Metropolitan Water District	0.255%	389,565,000	993,391
North Orange County Joint Community College District	5.682%	242,244,001	13,764,304
Fullerton Joint Union High School District	20.261%	63,232,910	12,811,620
La Habra City School District	81.916%	15,639,295	12,811,085
City of La Habra Community Facilities District No. 1990-1	100.000%	2,575,000	2,575,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			44,453,709
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	1.211%	\$ 630,022,000	7,629,566
Orange County Pension Obligations	1.211%	99,716,298	1,207,564
Orange County Board of Education Certificates of Participation	1.211%	19,820,000	240,020
Orange County Transit Authority	1.211%	2,470,000	29,912
Municipal Water District of Orange County Water Facilities Corporation	1.440%	28,205,000	406,152
Orange County Sanitation District Certificates of Participation	1.708%	130,370,000	2,226,720
Fullerton Joint Union High School District Certificates of Participation	20.261%	2,705,000	548,060
City of La Habra Certificate of Participation	100.000%	23,975,000	23,975,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			36,262,994
Less: Orange County Transit Authority (80% self-supporting)			23,929
MWDOC Water Facilities Corporation (100% self-supporting)			406,152
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT (2)			\$35,832,913
GROSS COMBINED TOTAL DEBT			80,716,704
NET COMBINED TOTAL DEBT			80,286,623

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

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

Ratios to 2005-06 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....1.12%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$23,975,000).....0.64%

Gross Combined Total Debt.....2.16%

Net Combined Total Debt.....2.15%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 06/30/06: \$0

Source: California Municipal Statistics, Inc.

CITY OF LA HABRA
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	1997	1998	1999	2000
Total Assessed Value of all Real and Personal Property	\$2,397,208,839	\$2,378,012,206	\$2,425,699,840	\$ 2,506,416,296
Debt Limit Percentage	15.00%	15.00%	15.00%	15.00%
Total Debt Limit (1)	359,581,326	356,701,831	363,854,976	375,962,444
Amount of Debt Applicable to Debt Limit (2)				
Legal Debt Margin	<u>\$ 359,581,326</u>	<u>\$ 356,701,831</u>	<u>\$ 363,854,976</u>	<u>\$ 375,962,444</u>

(1) - In accordance with California Government Code Section 43605, general obligation bonds outstanding cannot exceed 15 percent of total assessed valuation.

(2) - The City currently has no general bonded indebtedness.

Source: City Finance Department
Orange County Assessor's Office

Fiscal Year

2001	2002	2003	2004	2005	2006
\$2,769,456,826	\$ 3,007,174,478	\$ 3,119,571,800	\$ 3,350,641,844	\$3,598,042,087	\$3,962,715,606
15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
415,418,524	451,076,172	467,935,770	502,596,277	539,706,313	594,407,341
<u>\$ 415,418,524</u>	<u>\$ 451,076,172</u>	<u>\$ 467,935,770</u>	<u>\$ 502,596,277</u>	<u>\$ 539,706,313</u>	<u>\$ 594,407,341</u>

CITY OF LA HABRA
Pledged-Revenue Coverage
Last Two Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	\$ 7,619,270	\$ 6,680,887	\$ 938,383	\$ 145,000	\$ 322,244	2.01
2006	8,723,742	6,872,437	1,851,305	150,000	320,031	3.94

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

Certificate of Participation, Series A

<u>Revenue</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
			<u>Principal</u>	<u>Interest</u>	
\$ 2,224,906	\$ 774,838	\$ 1,450,068	\$ 585,000	\$ 891,420	0.98
2,322,577	806,585	1,515,992	660,000	866,520	0.99

(Continued)

CITY OF LA HABRA
Pledged-Revenue Coverage (Continued)
Last Two Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Bonds						Coverage
	Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2005	\$ 1,370,272	\$ 802,566	\$ 567,706	\$ 105,000	\$ 426,423	1.07	
2006	2,085,904	1,121,430	964,474	110,000	421,585	1.81	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

Special Tax Bonds

<u>Revenue</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
			<u>Principal</u>	<u>Interest</u>	
\$ 286,158.00	\$ 6,869	\$ 279,289	\$ 115,000	\$ 159,703	1.02
279,694	7,192	272,502	120,000	153,650	1.00



STATISTICAL SECTION

Demographic and Economic Information

CITY OF LA HABRA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (2)
1997	54,727	\$ 1,689,422	30,870	n/a
1998	55,383	1,808,975	32,663	n/a
1999	56,072	1,917,326	34,194	n/a
2000	58,974	2,188,112	37,103	4.5%
2001	59,711	2,248,179	37,651	5.1%
2002	60,702	2,316,935	38,169	6.4%
2003	61,188	2,419,129	39,536	6.2%
2004	61,454	2,572,956	41,868	5.5%
2005	61,771	2,682,962	43,434	4.9%
2006	61,789	2,821,348	45,661	4.4%

Sources:

- (1) State Department of Finance
- (2) State of California Employment Development Department (data shown is for the County)

**CITY OF LA HABRA
Principal Employers
Current Fiscal Year**

Employer	2006	
	Number of Employees	Percent of Total Employment
Wal-Mart/Sams Stores Inc	400	1.33%
City of La Habra	391	1.30%
Peerless Maintenance Service	300	1.00%
Lowe's Home Centers Inc.	150	0.50%
Kohl's Department Stores Inc.	121	0.40%
VIP Rubber Co Inc.	120	0.40%
Mary & Friends	120	0.40%
United States Postal Service	105	0.35%
B & L Diners, Inc	100	0.33%
Gonzalez Norgate. Inc	100	0.33%

1997 data was not available

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

Source: Dun & Bradstreet
California Employment Development Department

STATISTICAL SECTION
Operating Information

CITY OF LA HABRA
Full-time Equivalent City Employees
by Function/Department
Last Four Fiscal Years

Function/Department	<u>Full-time Equivalent Employees</u>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
City Manager	4.94	4.94	4.94	4.94
City Clerk	3.00	3.00	3.00	3.00
Community Development	13.76	15.36	17.88	18.88
Community Services	137.94	121.26	100.34	100.18
Finance/Administrative Services	17.59	20.54	20.44	20.82
Fire *	41.00	41.00	41.00	
Police	131.95	122.65	117.18	122.70
Public Works	59.75	60.33	60.81	64.11
Children's Museum	8.39	10.17	8.67	7.51
Total	<u>418.32</u>	<u>399.25</u>	<u>374.26</u>	<u>342.14</u>

* Note: The City contracted Fire Operations to Los Angeles County Fire Department in 2006.

Source: City of La Habra, Finance Department

CITY OF LA HABRA
Operating Indicators
by Function
Current Fiscal Year

	2006
Police:	
Arrests	2,727
Parking citations issued	13,875
Public works:	
Street resurfacing (miles)	14
Community development	
Building Permits Issued	2,383
Parks and recreation:	
Number of Parks	23
Park Acreage	133
Number of recreation classes	29
Municipal Water Department	
Number of Accounts	12,601
Average daily consumption (thousands of gallons)	3,127
New connections	92

Source: City of La Habra

CITY OF LA HABRA
Capital Asset Statistics
by Function
Current Fiscal Year

	2006
Police:	
Stations	1
Public works:	
Streets (miles)	112
Streetlights	2,646
Traffic signals	33
Parks and recreation:	
Parks	23
Park Acrage	133
Community centers	1
Water:	
Water mains (miles)	120
Number or Connections	12,548
Sewer	
Sanitary sewers (miles)	108

Source: City of La Habra



STATISTICAL SECTION
Water Enterprise Schedules

CITY OF LA HABRA
Water Service By Type of Customer
Last Four Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Water Services				
Residential	11,380	11,398	11,481	11,507
Commercial/Industrial	969	829	836	833
Schools/Other	<u>106</u>	<u>313</u>	<u>250</u>	<u>261</u>
Total	<u><u>12,455</u></u>	<u><u>12,540</u></u>	<u><u>12,567</u></u>	<u><u>12,601</u></u>

Source: City of La Habra

CITY OF LA HABRA
Water Rates
Year Ended June 30, 2006

Adopted: 12/20/05
Effective: 01/03/06

Meter Size	Monthly Meter Charge	Water Consumption Charge (1)
5/8 inch	\$ 7.08	\$ 1.59
3/4 inch	8.00	1.59
1 inch	10.33	1.59
1-1/2 inches	23.23	1.59
2 inches	41.11	1.59
3 inches	92.51	1.59
4 inches	163.73	1.59
6 inches	368.41	1.59
8 inches	415.00	1.59
10 inches	n/a	n/a

(1) For each Additional 100 cubic feet. From May 1 to September of each year, a charge of \$1.71 per 100 cubic feet is assessed for consumption above 17,000 cubic feet.

Source: City of La Habra

CITY OF LA HABRA
Average Monthly Water Service Rate Comparison
For Fiscal Year 2005-06

Water Agency	Usage (in ccf's)	Commodity Charge	Readiness to Serve	Total Bill
La Habra	25	\$ 1.59	\$ 7.08	\$ 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 & Whittier)	25	1.23	8.25	39.00
Whittier	25	1.54	4.00	42.50

Source: City of La Habra

CITY OF LA HABRA
Ten Largest Users of Water
12 Months through June 30, 2006

Customer	12 Month Consumption (100 Cubic Feet)	Percentage of Total Consumption
Westridge Golf, Inc.	150,331	3.47%
Albertson's Bakery	17,234	0.40%
Friendly Village Mobilehome Parks	14,983	0.35%
Whittier Christian HS	13,799	0.32%
Fullerton Union High School District	13,207	0.31%
City of La Habra	12,400	0.29%
The Gardens of La Habra Heights	12,248	0.28%
G & K Las Lomas	12,232	0.28%
La Habra School District	11,070	0.26%
La Habra Woods Apts	10,806	0.25%
Total Consumption in 100 CCF		4,329,437

Source: City of La Habra