

CITY OF HAWAIIAN GARDENS
Comprehensive Annual Financial Report
(With Independent Auditor's Report Thereon)
For The Year Ended June 30, 2009

CITY OF HAWAIIAN GARDENS
Comprehensive Annual Financial Report
June 30, 2009

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INTRODUCTORY SECTION

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CITY OF HAWAIIAN GARDENS

January 19, 2010

To the Members of the City Council and Residents of the City of Hawaiian Gardens:

It is the policy of the City of Hawaiian Gardens to annually publish a complete set of financials statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Hawaiian Gardens ("the City") for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Macias Gini & O'Connell LLP, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2009, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent

Members of the City Council and Residents of the City of Hawaiian Gardens:
December 18, 2009

auditor to report not only on the fair presentation of the financial statements, but also on the audited City's internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

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

Profile of the Government

The City, incorporated in 1964, is located in the southeastern corner of Los Angeles County. The City currently occupies a land area of nine tenths of a square mile and serves a population of 15,900.

The City has operated under the Council-City Administrator form of government since 1964. Policymaking and legislative authority are vested in a City Council consisting of five members, one of whom is selected Mayor by the City Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing commissions and hiring both the City Administrator and City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the City Council and for overseeing the day-to-day operations of the City. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected in the first two year period and two council members elected in the other two year period.

The City provides a full range of services, including police protection (contracted with Los Angeles Sheriff's department); the construction and maintenance of highways, streets and other infrastructure; and recreational activities and cultural events. The City is financially accountable for a redevelopment agency and financing authority, both of which are reported separately within the City's financial statements. Additional information regarding all three of these legally separate entities can be found in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City's administrator during the month of March. The City's administrator uses these requests as the starting point for developing a proposed budget. The City's administrator then presents this proposed budget to the council for review during the month of May. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. human services), and department (e.g. special events). Transfers of appropriations between funds require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. Formal budgetary integration is not employed for debt service funds or capital project funds because effective budgetary control is alternatively achieved through trust

Members of the City Council and Residents of the City of Hawaiian Gardens:
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indenture provisions. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within the City operates.

Local economy. The decline of the national and state economies has had a minor financial effect on the City. General Fund revenues remained steady this past fiscal year. The City continues to experience moderate growth in property tax and casino license revenues which has helped to offset the decline in investment earnings.

Long-term financial planning and Major Initiatives. The City established a Fiscal Policy in 2000. This fiscal policy set as a goal to establish a General Fund Reserve of one year's Casino revenue to the City, currently \$13,300,000. This reserve was to be set aside in yearly increments of \$950,000 until the total amount had been set aside. This reserve is currently \$5,450,000.

Another project in the early stages of implementation will enhance the quality of life for the residents of the City. The City is in the process of improving the fields at Fedde Middle School to make these fields a Sports Complex. This complex will serve as one of the cities parks and added lighting, new sod and a running track. During 2009-10, the City entered into an agreement with the ABC Unified School District for the construction of the sports complex. The sports complex will be build on school property. The City will pay for approximately \$8 million of the construction costs. This project will significantly reduce or eliminate the General Fund unreserved fund balance.

Cash management policies and practices. The City has an Investment Policy which is reviewed and adopted each year. Cash temporarily idle during the year can be invested in certificates of deposit, obligations of the U.S. Treasury, commercial paper, corporate bonds and the state of California Local Agency Investment Fund. Investment revenue includes appreciation/depreciation in the fair value of investments. Increases and decreases in fair value during the year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk management. The City is a member of the California Joint Powers Insurance Authority (CJPIA), which has over 100 member agencies. All risk management for both Liability and Workers' Compensation are handled by the CJPIA. The City's costs for this are based on actual claims plus pooled costs. The CJPIA serves as the lead third

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party administrator and processes and disposes of all claims. Additional information on the City's risk management activity can be found in the notes to the financial statements.

Pension and other postemployment benefits. The City contributes to the California Public Employees Retirement System, an agent multiple-employer defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by this funding policy. The unfunded actuarial liability associated with employee services rendered to date is being systematically funded over 12 years as part of the annual required contribution calculated by the actuary.

The City also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 16 retired employees receiving these benefits, which are financed on a pay-as-you-go basis.

Additional information regarding the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hawaiian Gardens for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



David D. Sung, Finance Director/Treasurer

CITY OF HAWAIIAN GARDENS
List of Elected and Appointed Officials
Fiscal Year Ended June 30, 2009

Elected Officials

Mayor
Mayor Pro Tem
Councilmember
Councilmember
Councilmember

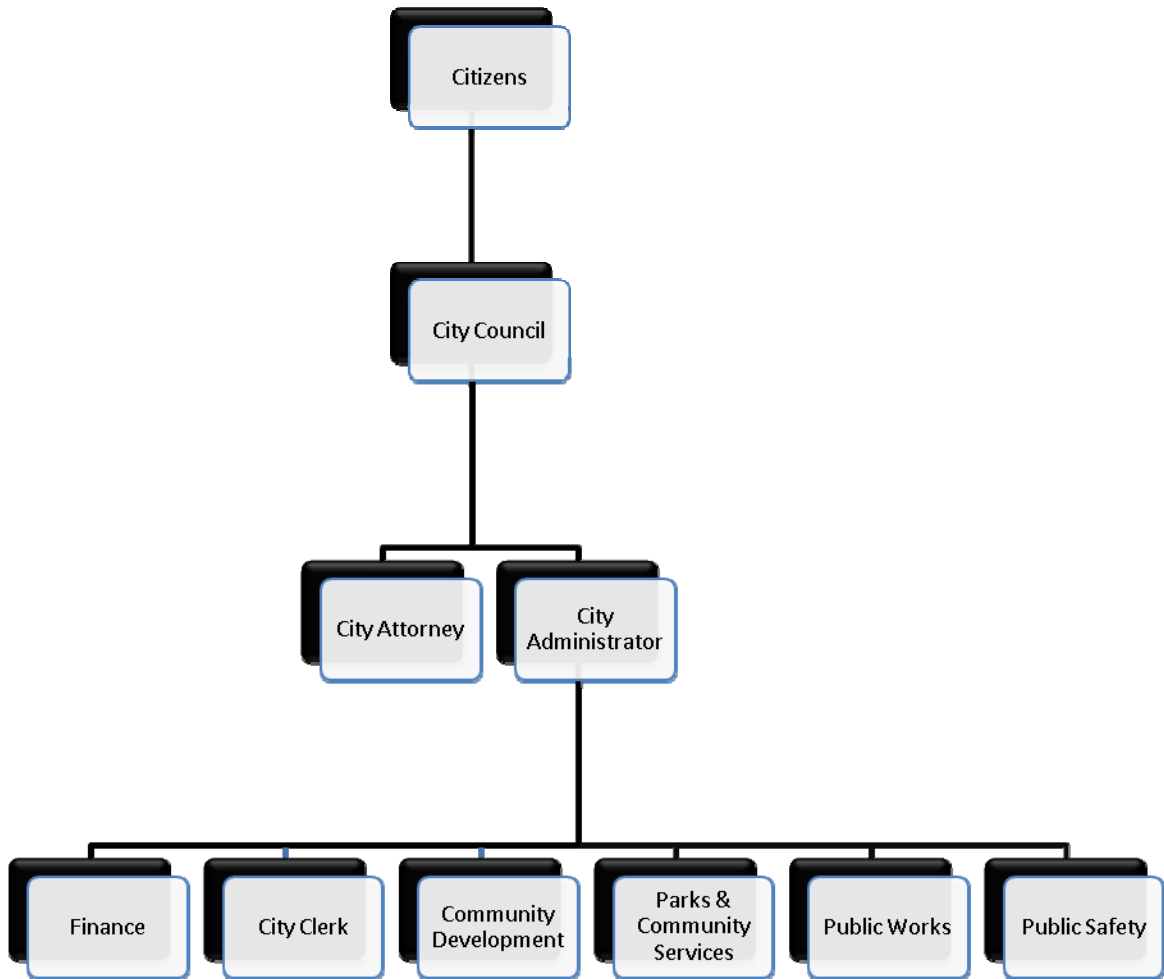
Michael S. Gomez
Victor A. Farfan
Michiko Oyama-Canada
Betty J. Shultz
John F. Hecherman

Appointed Officials

City Administrator/Executive Director
City Clerk
Finance Director/Treasurer
Community Development Director
Director of Human Services
City Attorney
Public Works Superintendent

Ernesto Marquez
Sue Underwood
David D. Sung
Joseph Colombo
Steven J. Gomez
John Cavanaugh
Joe Vasquez

CITY OF HAWAIIAN GARDENS
Organization Chart
June 30, 2009



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hawaiian Gardens California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



President

Executive Director

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FINANCIAL SECTION

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

NEWPORT BEACH
1201 Dove Street, Suite 680
Newport Beach, CA 92660
949.221.0025

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

The Honorable City Council of
the City of Hawaiian Gardens, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hawaiian Gardens, California (the City), as of and for the year ended June 30, 2009, 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'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, 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 combining and individual nonmajor fund financial statements 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 and statistical sections 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.

Macias Jini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

January 19, 2010

CITY OF HAWAIIAN GARDENS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2009

The following discussion and analysis of the financial performance of the City of Hawaiian Gardens, California (City) provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

FINANCIAL HIGHLIGHTS

- Net assets, the amount by which total assets exceed total liabilities, equal \$19,863,564.
- The City's total net assets increased by \$4,834,853 over last years' totals.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,378,276.

OVERVIEW OF THE FINANCIAL STATEMENTS

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. 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 fund financial statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.

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 provided additional financial and budgetary information.

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities –as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money. The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.

A summary of the government-wide *statement of net assets* follows:

CITY OF HAWAIIAN GARDENS
Statement of Net Assets
June 30, 2009 and 2008

	<u>Governmental Activities</u> <u>2009</u>	<u>Governmental Activities</u> <u>2008</u>	<u>Change</u>
Current and other assets	\$29,733,471	\$28,761,686	\$971,785
Capital assets, net of depreciation	38,381,789	37,250,473	1,131,316
Total Assets	<u>68,115,260</u>	<u>66,012,159</u>	<u>2,103,101</u>
Long-term debt outstanding	46,489,609	48,793,201	(2,303,592)
Other liabilities	1,762,087	2,190,247	(428,160)
Total Liabilities	<u>48,251,696</u>	<u>50,983,448</u>	<u>(2,731,752)</u>
Net assets:			
Invested in capital assets, net of debt	(4,507,696)	(3,492,729)	(1,014,967)
Restricted	6,937,550	5,707,857	1,229,693
Unrestricted	17,433,710	12,813,583	4,620,127
Total Net Assets	<u>\$19,863,564</u>	<u>\$15,028,711</u>	<u>\$4,834,853</u>

The net assets (financial position) of the City changed as a result of the revenue and expense fluctuations described below for the governmental activities of the City. The main reason the City enjoys surplus revenues is due to the significant Casino Revenue. Actual continuing operations have resulted in an increase in Net Assets.

A summary of the government-wide statement of activities follows:

CITY OF HAWAIIAN GARDENS
Statement of Net Assets
June 30, 2009 and 2008

	<u>Governmental Activities</u> <u>2009</u>	<u>Governmental Activities</u> <u>2008</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for services	\$1,698,174	\$1,621,271	\$76,903
Operating grants and contributions	3,651,069	2,562,089	1,088,980
Capital contributions and grants	529,850	499,736	30,114
General Revenues:			
Property taxes	6,960,788	6,106,660	854,128
Business license tax	14,117,458	13,252,065	865,393
Motor vehicle in lieu, unrestricted	1,454,009	1,426,058	27,951
Other general revenues	1,624,344	2,242,614	(618,270)
Total Revenues	<u>30,035,692</u>	<u>27,710,493</u>	<u>2,325,199</u>
Expenses:			
General government	8,743,259	6,376,603	2,366,656
Public safety	3,575,518	2,973,856	601,662
Public works	1,821,252	1,891,194	(69,942)
Highways and streets	2,759,782	3,042,425	(282,643)
Culture and recreation	3,899,959	3,867,286	32,673
Urban development	821,009	996,756	(175,747)
Health and welfare	1,255,981	1,061,060	194,921
Interest and fiscal charges	2,324,079	2,470,165	(146,086)
Total Expenses	<u>25,200,839</u>	<u>22,679,345</u>	<u>2,521,494</u>
Increase in net assets	4,834,853	5,031,148	(196,295)
Net assets at beginning of year	<u>15,028,711</u>	<u>9,997,563</u>	<u>5,031,148</u>
Net assets at end of year	<u>\$19,863,564</u>	<u>\$15,028,711</u>	<u>\$4,834,853</u>

Governmental Activities

Revenues for the City's governmental activities increased 8.4 percent (\$2.3 million), from \$27,710,493 in 2008 to \$30,035,692 in 2009. Expenses for the governmental activities increased 11.1 percent (\$2.5 million), from \$22,679,345 in 2008 to \$25,200,839 in 2009.

The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- Operating Contributions and Grants increased by \$1,088,980. This primarily relates to the purchase of CDBG funds. During fiscal year 2008-09, the City purchased \$648,144 resulting in more grant revenues. The purchased CDBG funds were used on 226th Street extension project.
- The City's property tax revenue increased by \$854,128 due to increase in assessed values.
- Business License Revenue increased by \$865,393 due to an increase in casino revenue.
- Other revenues declined by \$618,270. Investment income declined by over \$500,000 due to lower interest rates.
- General Government expenses increased by \$2,366,656. The main reasons for the increase is 1) the redevelopment agency statutory pass through payments increased by over \$1.1 million, 2) the City established an OPEB trust in fiscal year 2008-2009, so contributions were \$500,000 more than prior year, 3) the City contributed \$375,000 to the refuse hauler to keep trash rates from rising, and 4) the City paid \$500,000 to purchase some CDBG grant monies.
- Public Safety increased by \$601,662. During fiscal year 2008-2009, the City spent over \$100,000 on the new Public Safety Center in the library and over \$100,000 on the new Community Outreach program.

MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Funds. The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$16,562,355, an increase of \$2,353,734 more than prior year's restated balance of \$14,208,621. As a measure of the general fund's liquidity, it is useful to compare the total fund balance to total fund expenditure, which shows that fund balance is 98 percent of general fund expenditures. Total general fund expenditures this year were \$4,540,997 less than the prior year. The decrease is due to the construction of the new city library in the prior year. Total general fund revenue this year was \$468,092 more than the prior year.

Significant changes in the revenues of the City's' General Fund from the prior year are as follows:

- Charges for services increased by \$739,469. The main reason for the increase was an insurance refund of \$350,000 in fiscal year 2008-09.
- Investment income decreased by \$314,908 due to lower prevailing interest rates.
- General government expenditures increased by \$1,205,764. The significant changes from the prior year were 1) the City established an OPEB trust in fiscal year 2008-09, so contributions were \$500,000 more than prior year, 2) the City contributed \$375,000 to the refuse hauler to keep trash rates from rising, and 3) the City paid \$500,000 to purchase some CDBG grant monies.
- Public safety expenditures increased by \$610,403. During fiscal year 2008-2009, the City spent over \$100,000 on the new Public Safety Center in the library and over \$150,000 on the new Community Outreach program.
- Capital outlay expenditures decreased by \$6,492,274. Fiscal year 2007-2008 included \$6 million in costs associated with the construction of the new library.

The **Community Development Block Grant** fund has a fund balance of \$0. The revenues and expenditures were about \$700,000 higher than the prior year. During fiscal year 2008-09, the CDBG fund spent about \$700,000 on street projects in low income neighborhoods.

The **Low and Moderate Income Housing** fund has a total fund balance of \$5,888,419. The net increase in fund balance was \$1,062,698, from last year's \$4,825,721. The revenue comes primarily from the twenty percent (20%) of the property tax increment revenue collected each year. The total revenue this year was \$1,495,755, which was \$31,864 more than last year. The expenditures this year were \$433,057, of which \$202,622 was for debt service.

The **Debt Service** fund has a total fund balance of \$2,279,947, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$1,318,416, down from \$3,598,363 last year. The revenue comes from property tax collected each year. The expenditures are primarily used to service debts. The City retired additional \$1,220,000 of the 2006 Tax Allocation Bond Part B with surplus property tax revenue collected this year.

The **Redevelopment Agency** capital project fund has a total fund balance of \$571,656. The net decrease in fund balance was \$1,402,959, from \$1,974,615. The revenue this year was \$62,171, reduced by \$50,975. This is primarily because investment income was down by \$45,144 this year. The expenditures were \$2,052,824, which was \$717,796 more than last year. The largest change was the \$1.1 million increase in statutory pass through payments.

GENERAL FUND BUDGET

Major deviations between the final budget of the General Fund and its actual operating results were as follows:

- Licenses and permit - Budget \$13,590,800; Received \$14,526,268 = \$935,468 over budget. The license fees from Hawaiian Gardens Casino increased this year.
- Foundation contribution – Budget \$1,000; Received \$529,850 = \$528,850 over budget. There is a one time contribution from a local foundation of \$500,000.
- Charges for services – Budget \$198,288; Received \$843,071 = \$644,783 over budget. The main reason for the increase was an insurance refund of \$350,000 in fiscal year 2008-09.
- Capital outlay – Budget \$11,912,235; Expended \$3,690,150 = \$8,222,085 under budget. Capital projects approved this year will take several years to complete. The approved budget will pay for future expenditures under the approved project.

The General Fund actual total expenditures did not exceed final budgeted appropriations. The variance between actual total expenditures and the final appropriation was \$8,120,397, or 32.5%. The most significant variation between budgeted and actual expenditures occurred in the capital project expenditures. Budgeted capital project expenditures were \$11,912,235. However, total capital project expenditures were \$3,690,150. The reason for the \$8,222,085 variation is due to capital projects that were not completed in fiscal year 2009. Capital projects not completed in fiscal year 2009 were carried forward to fiscal year 2010.

Total General Fund revenue budget was \$16,678,288 with actual receipts of \$18,944,240 and the expenditure budget was \$24,966,322 with actual expenditures of \$16,845,925. Under budget revenues and expenditure deviation was \$10,386,349, which had the affect of raising the City's liquidity and ability to provide future government services.

CITY OF HAWAIIAN GARDENS
Capital Assets
As of June 30, 2009 and 2008
(net of accumulated depreciation)

	<u>2009</u>	<u>2008</u>
Buildings and improvements	\$8,896,976	\$3,813,310
Furniture and equipment	274,944	280,339
Vehicles	635,815	697,395
Infrastructure – road system	10,108,555	10,631,933
Rights-of-way	3,290,005	3,290,005
Land	5,445,294	5,445,294
Construction in progress	<u>9,730,200</u>	<u>13,092,197</u>
Total	<u>\$38,381,789</u>	<u>\$37,250,473</u>

The major additions and reductions to capital assets during the year ended June 30, 2009 were as follows:

- Library & Public Safety Center - \$3,146,665
- Dead End street project--\$382,207

Additional information on the City’s capital assets can be found in the notes to the financial statement.

LONG-TERM DEBT

As of June 30, 2009, the City had total long-term liabilities outstanding of \$46.5 million. There was no debt backed by the full faith and credit of the City (i.e., there was no general obligation debt). Most of the outstanding debt was in the form of tax allocation revenue bonds.

CITY OF HAWAIIAN GARDENS
Long-Term Liabilities
As of June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Compensated Absences	\$514,609	\$478,201
1999 Tax Allocation Bonds	3,580,000	4,185,000
2004 Tax Allocation Bonds	34,045,000	34,210,000
2006 Tax Allocation Bonds	<u>8,350,000</u>	<u>9,920,000</u>
Total	<u>\$46,489,609</u>	<u>\$48,793,201</u>

The City’s total long-term liabilities decreased by \$2,303,592 (4.72 percent) during the current fiscal year.

The City's 1999 Tax Allocation Bonds are rated BBB. The 2004 Tax Allocation Bonds are insured and rated AAA. Series A of the 2006 Tax Allocation Bonds are rated AAA. Series B of the 2006 Tax Allocation Bonds are not rated.

The State Constitution limits the amount of general obligation debt a City may incur to 25% of its total assessed valuation, which for the City of Hawaiian Gardens, was \$179 million at June 30, 2009. As indicated earlier, the City has no general obligation debt outstanding.

Additional information on the City's long-term debt can be found in the notes to the accompanying financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The decline of the national and state economies has had a minor financial effect on the City. General Fund revenues remained steady this past fiscal year. The City continues to experience moderate growth in property tax and casino license revenues which has helped to offset the decline in investment earnings.

During 2009-10, the City entered into an agreement with the ABC Unified School District for the construction of a sports complex. The sports complex will be built on school property. The City will pay for approximately \$8 million of the construction costs. This project will significantly reduce or eliminate the General Fund unreserved fund balance.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, City of Hawaiian Gardens, 21815 Pioneer Blvd., Hawaiian Gardens, California 90716.

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BASIC FINANCIAL STATEMENTS

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CITY OF HAWAIIAN GARDENS
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets:	
Cash and investments	\$ 15,806,736
Restricted assets:	
Cash and investments	22,838
Cash and investments held by fiscal agent	9,301,353
Receivables:	
Accounts	1,099,522
Interest	52,769
Notes	89,691
Loans	823,671
Deposits	1,787
Due from other governments	430,821
Prepaid items	42,513
Property held for resale	2,061,770
Capital assets, not being depreciated	18,465,499
Capital assets, net of depreciation	19,916,290
Total assets	68,115,260
Liabilities:	
Accounts payable	971,137
Accrued liabilities	140,474
Interest payable	189,562
Deposits payable	17,230
Unearned revenue	443,684
Noncurrent liabilities:	
Due within one year	1,290,000
Due in more than one year	45,199,609
Total liabilities	48,251,696
Net Assets:	
Invested in capital assets, net of related debt	(4,507,696)
Restricted for:	
Public safety	14,331
Public works	383,070
Highways and streets	420,719
Urban development	5,911,257
Health and welfare	208,173
Unrestricted	17,433,710
Total net assets	\$ 19,863,564

See Accompanying Notes to Financial Statements.

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CITY OF HAWAIIAN GARDENS
Statement of Activities
For the Year Ended June 30, 2009

		Program Revenues			Net (Expense) Revenue and Change in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Functions/Programs:					
Governmental activities:					
General government	\$ 8,743,259	\$ 350,998	\$ -	\$ -	\$ (8,392,261)
Public safety	3,575,518	208,209	90,575	-	(3,276,734)
Public works	1,821,252	889,034	-	-	(932,218)
Highways and streets	2,759,782	-	1,311,728	-	(1,448,054)
Culture and recreation	3,899,959	120,450	72,465	529,850	(3,177,194)
Urban development	821,009	-	1,264,242	-	443,233
Health and welfare	1,255,981	129,483	912,059	-	(214,439)
Interest and fiscal charges	2,324,079	-	-	-	(2,324,079)
Total primary government	\$ 25,200,839	\$ 1,698,174	\$ 3,651,069	\$ 529,850	(19,321,746)
General revenues:					
Taxes:					
					6,960,788
					14,117,458
					705,319
					181,547
					31,514
					1,454,009
					617,954
					88,010
					24,156,599
					4,834,853
					15,028,711
					\$ 19,863,564

See Accompanying Notes to Financial Statements.

CITY OF HAWAIIAN GARDENS
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General</u>	<u>Special Revenue</u>	
		<u>Community Development Block Grant</u>	<u>Low and Moderate Income Housing</u>
Assets:			
Cash and investments	\$ 12,264,215	\$ 20	\$ 2,372,315
Restricted assets:			
Cash and investments	-	-	-
Cash and investments, held by fiscal agent	-	-	2,202,315
Receivables:			
Accounts	1,092,879	1,771	201
Interest	25,155	-	-
Notes	-	-	48,000
Loans	-	823,671	-
Deposits	1,787	-	-
Due from other governments	94,894	173,556	-
Due from other funds	398,308	-	-
Prepaid items	37,667	-	-
Advance to other funds	4,879,563	-	-
Property held for resale	-	-	1,275,252
Total assets	<u>\$ 18,794,468</u>	<u>\$ 999,018</u>	<u>\$ 5,898,083</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 727,416	\$ 105,683	\$ 8,015
Accrued liabilities	102,014	9,765	1,649
Deposits payable	-	-	-
Due to other funds	-	59,899	-
Deferred revenue	1,402,683	823,671	-
Advances from other funds	-	-	-
Total liabilities	<u>2,232,113</u>	<u>999,018</u>	<u>9,664</u>
Fund balances:			
Reserved	<u>3,960,018</u>	<u>-</u>	<u>5,888,419</u>
Unreserved:			
Designated	12,602,337	-	-
Undesignated reported in:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Total unreserved	<u>12,602,337</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>16,562,355</u>	<u>-</u>	<u>5,888,419</u>
Total liabilities and fund balances	<u>\$ 18,794,468</u>	<u>\$ 999,018</u>	<u>\$ 5,898,083</u>

See Accompanying Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>		
<u>Redevelopment Agency</u>	<u>Redevelopment Agency</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,170,186	\$ 15,806,736
-	22,838	-	22,838
7,099,038	-	-	9,301,353
-	171	4,500	1,099,522
-	27,614	-	52,769
-	41,691	-	89,691
-	-	-	823,671
-	-	-	1,787
60,472	-	101,899	430,821
-	-	-	398,308
-	-	4,846	42,513
-	-	-	4,879,563
-	786,518	-	2,061,770
<u>\$ 7,159,510</u>	<u>\$ 878,832</u>	<u>\$ 1,281,431</u>	<u>\$ 35,011,342</u>
\$ -	\$ 40,634	\$ 89,389	\$ 971,137
-	10,085	16,961	140,474
-	17,230	-	17,230
-	239,227	99,182	398,308
-	-	-	2,226,354
4,879,563	-	-	4,879,563
<u>4,879,563</u>	<u>307,176</u>	<u>205,532</u>	<u>8,633,066</u>
<u>2,279,947</u>	<u>851,047</u>	<u>4,846</u>	<u>12,984,277</u>
-	-	-	12,602,337
-	-	1,071,053	1,071,053
-	(279,391)	-	(279,391)
-	(279,391)	1,071,053	13,393,999
<u>2,279,947</u>	<u>571,656</u>	<u>1,075,899</u>	<u>26,378,276</u>
<u>\$ 7,159,510</u>	<u>\$ 878,832</u>	<u>\$ 1,281,431</u>	<u>\$ 35,011,342</u>

CITY OF HAWAIIAN GARDENS
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2009

Fund balances for governmental funds	\$	26,378,276
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.		38,381,789
The long-term debt (e.g. bonds, leases) is not due and payable in the current period and therefore is not reported in the funds.		(46,489,609)
Interest on long-term debt liabilities are not due and payable in the current period and therefore are not reported in the funds.		(189,562)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis in the government-wide statements.		1,782,670
Net assets of governmental activities	\$	19,863,564

See Accompanying Notes to Financial Statements.

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CITY OF HAWAIIAN GARDENS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	<u>General</u>	<u>Special Revenue</u>	
		<u>Community Development Block Grant</u>	<u>Low and Moderate Income Housing</u>
Revenues:			
Taxes	\$ 2,275,521	\$ -	\$ 1,390,284
Licenses and permits	14,526,268	-	-
Intergovernmental	141,099	1,209,652	-
Foundation contributions	529,850	-	-
Charges for services	843,071	-	-
Fines and penalties	183,713	-	-
Rental income	52,638	-	-
Investment income	274,824	-	85,471
Other revenues	117,256	-	20,000
Total revenues	<u>18,944,240</u>	<u>1,209,652</u>	<u>1,495,755</u>
Expenditures:			
Current:			
General government	5,185,754	30,000	230,435
Public safety	3,402,801	-	-
Public works	1,041,382	-	-
Highways and streets	-	-	-
Culture and recreation	3,525,838	-	-
Urban development	-	617,029	-
Health and welfare	-	-	-
Capital outlay	3,690,150	760,962	-
Debt service:			
Principal	-	-	2,622
Interest	-	-	200,000
Total expenditures	<u>16,845,925</u>	<u>1,407,991</u>	<u>433,057</u>
Excess (deficiency) of revenues over expenditures	<u>2,098,315</u>	<u>(198,339)</u>	<u>1,062,698</u>
Other financing sources (uses):			
Transfers in	920,045	192,626	-
Transfers out	<u>(664,626)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>255,419</u>	<u>192,626</u>	<u>-</u>
Net change in fund balances	2,353,734	(5,713)	1,062,698
Fund balances (deficits), beginning of year, as restated	<u>14,208,621</u>	<u>5,713</u>	<u>4,825,721</u>
Fund balances (deficits), end of year	<u>\$ 16,562,355</u>	<u>\$ -</u>	<u>\$ 5,888,419</u>

See Accompanying Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Redevelopment Agency</u>	<u>Redevelopment Agency</u>		
\$ 5,408,257	\$ -	\$ 1,191,522	\$ 10,265,584
-	-	-	14,526,268
-	-	1,526,432	2,877,183
-	-	-	529,850
-	-	-	843,071
-	-	-	183,713
-	56,548	-	109,186
123,715	730	18,208	502,948
-	4,893	1,150	143,299
<u>5,531,972</u>	<u>62,171</u>	<u>2,737,312</u>	<u>29,981,102</u>
427,728	1,849,790	-	7,723,707
-	-	170,182	3,572,983
-	-	265,153	1,306,535
-	-	1,323,897	1,323,897
-	-	-	3,525,838
-	203,034	-	820,063
-	-	1,247,533	1,247,533
-	-	-	4,451,112
2,337,378	-	-	2,340,000
2,577,543	-	-	2,777,543
<u>5,342,649</u>	<u>2,052,824</u>	<u>3,006,765</u>	<u>29,089,211</u>
189,323	(1,990,653)	(269,453)	891,891
-	1,507,739	472,000	3,092,410
<u>(1,507,739)</u>	<u>(920,045)</u>	<u>-</u>	<u>(3,092,410)</u>
<u>(1,507,739)</u>	<u>587,694</u>	<u>472,000</u>	<u>-</u>
(1,318,416)	(1,402,959)	202,547	891,891
<u>3,598,363</u>	<u>1,974,615</u>	<u>873,352</u>	<u>25,486,385</u>
<u>\$ 2,279,947</u>	<u>\$ 571,656</u>	<u>\$ 1,075,899</u>	<u>\$ 26,378,276</u>

CITY OF HAWAIIAN GARDENS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ 891,891

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 costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay (capitalizable portion)	\$ 2,273,976	
Depreciation expense	<u>(1,142,660)</u>	1,131,316

Issuance of long-term debt including capital advances, compensated absences and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources in governmental funds. Neither transaction has any effect on net assets.

Principal payment	2,340,000	
Compensated absences, net	<u>(36,408)</u>	2,303,592

Interest on a long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. 9,867

Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements. 498,187

Change in net assets of governmental activities \$ 4,834,853

See Accompanying Notes to Financial Statements.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements
Year Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hawaiian Gardens, California (City) have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

a. Reporting Entity

The City was incorporated as a general law city under the Government Code of the State of California. The City operates under a Council-Administrator form of government and the City Council is composed of five members. Among the services provided by the City are the following: public safety, public works, highways and streets, parks and recreation, planning and community development, and health and welfare.

As required by generally accepted accounting principles in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the organization is able to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

All of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are reported with the interfund data of the City.

The following organizations are considered to be blended component units of the City:

Hawaiian Gardens Redevelopment Agency

The Hawaiian Gardens Redevelopment Agency (Agency) was established on November 27, 1973 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 improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Hawaiian Gardens. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Agency. Upon completion, separate financial statements of the Agency can be obtained at City Hall.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

Hawaiian Gardens Public Financing Authority

The Hawaiian Gardens Public Financing Authority (Authority) was established on January 13, 1988 for the purpose of financing public capital improvements. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of Authority. Upon completion separate financial statements of the Authority can be obtained at City Hall.

b. Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. The City has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Taxes and other items are not included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus and the modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to pay liabilities of the current period. The City uses a sixty day availability period.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of the long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

c. Description of Funds

Major Funds – The City reports the following 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. Expenditures of this fund include the general operating expenditures and capital improvement costs which are not paid through other funds.

Community Development Block Grant Fund – Used to account for Federal entitlements under the Housing and Community Development Act of 1974, as amended. The City Council annually allocates CDBG funds to various programs.

Low and Moderate Income Housing Fund – Used to account for monies received and expended to assist low and moderate income households.

Redevelopment Agency Debt Service Fund – Used to account for the accumulation of resources for, and payment of, long-term debt principal, interest and related costs on the tax allocation bonds and certificates of participation of the Redevelopment Agency.

Redevelopment Agency Capital Projects Fund – Used to account for financial resources to be used for the acquisition or construction of major capital facilities related to the Redevelopment Agency.

d. Cash and Investments

Cash includes demand deposits. The California Government Code and the City of Hawaiian Garden's investment policy permit the City of Hawaiian Gardens to invest in various instruments and pools. Investments are reported in the accompanying balance sheet at fair value, except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, any gains or losses realized upon the liquidation or sale of investments and rental income.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

The City pools cash and investments of all funds, except for assets held by fiscal agents and restricted cash. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

e. Due from other Governments

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, motor vehicle in-lieu taxes and other revenues, collected or provided by Federal, State, County and City Governments and unremitted to the City at year end.

f. Capital Assets

Capital assets (including infrastructure) greater than \$5,000 are capitalized and recorded at cost or at the estimated fair value of the assets at the time of acquisition where complete historical records have not been maintained. Donated capital assets are valued at their estimated fair market value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of these assets or materially extend assets lives are not capitalized.

Capital assets include public domain (infrastructure) capital assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements.

The following is a summary of the estimated useful life of each asset type:

Infrastructure - road system	25-75 years
Building and improvements	25-50 years
Furniture and equipment	7-30 years
Vehicles	10-30 years

g. Compensated Absences

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

Compensated absences (unpaid vacation and sick leave) are recorded as expenditures in the year they are paid. The balance of unpaid vacation and vested sick leave at year end is recorded as a long-term liability in the government-wide financial statements, as these amounts will be recorded in the fund expenditures in the year in which they are paid or become due on demand to terminated employees. Compensated absences are liquidated principally by the General Fund.

h. Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss can be reasonably estimated and is to be paid with current economic resources. Accordingly, such claims are recorded as liabilities in the appropriate governmental fund. As of June 30, 2009 there were no outstanding liabilities recorded relating to claims and judgment in a governmental fund.

i. Property Tax Calendar

The County of Los Angeles assesses, levies, and collects property taxes for the City. Property taxes levied for the year ended June 30, 2009 were due and payable in two installments on November 1 and February 1 and became delinquent after December 10 and April 10, respectively. At the date of incorporation, the City elected to be a no/low property tax city as an incentive for current and prospective residents to reside in the City.

The property tax calendar

Lien Date:	January 1st
Levy Date:	July 1st to June 30th
Due Date:	First Installment - November 1st Second Installment - February 1st
Delinquent Date:	First Installment - December 10th Second Installment - April 10th

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

Taxes are collected by Los Angeles County and are remitted to the City periodically. Dates and percentages are as follows:

December 10th	30% Advance
January 16th	Collection No. 1
April 10th	10% Advance
May 15th	Collection No. 2
July 31st	Collection No. 3

j. Property Held for Resale

The City acquired several parcels of land as part of its primary purpose to develop or redevelop blighted areas. The properties are held by the Redevelopment Agency at the lower of cost or estimated net realizable value determined at the date of an executed disposition and developers agreement. Fund balances are reserved in amounts equal to the carrying value of land held for resale because such assets are not available to finance the current operations.

k. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budgetary Data

The City Manager submits to the City Council a proposed operating budget. The operating budget includes proposed expenditures and the sources of financing. The City Council may amend the budget by resolution during the fiscal year. The City Manager is authorized to transfer funds appropriated within the same fund.

The level at which the expenditures may not legally exceed appropriations is the fund level.

Formal budgetary integration is not employed for debt service funds or capital project funds because effective budgetary control is alternatively achieved through trust indenture provisions. Therefore, these funds do not have legally adopted budgets. Special revenue funds have legally adopted budgets which are established on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

b. Expenditures in Excess of Appropriations

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2009:

Fund	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Nonmajor Special Revenue Funds:			
Local Transportation	\$ 33,000	\$ 82,652	\$ (49,652)
Proposition C Local Transit Assistance	336,040	367,198	(31,158)
Community Oriented Police Services	148,400	170,182	(21,782)
Housing Authority	978,026	1,247,533	(269,507)
Lighting and Landscaping	265,074	265,153	(79)

c. Accumulated Funds Deficits

The following funds had fund deficits at June 30, 2009:

Nonmajor Special Revenue Funds:

Local Transportation Fund	\$ (21,345)
Proposition C Local Transit Assistance Fund	(63,147)
Proposition A Local Transit Assistance Fund	(10,292)

Deficit fund balances are expected to be relieved from future revenues or transfers.

(3) CASH AND INVESTMENTS

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 15,806,736
Restricted cash	22,838
Cash and investments held by bond trustee	<u>9,301,353</u>
 Total cash and investments	 <u><u>\$ 25,130,927</u></u>

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$	1,879
Deposits with financial institutions		2,084,576
Investments		23,044,472
Total cash and investments	\$	25,130,927

Investments Authorized by the California Government Code and the City's Investment Policy

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

Investment Types Authorized by State Law	Authorized by Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	180 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	15%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	None	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other Investment Pools)	Yes	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are 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 investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk. The permitted investments are as follows:

1999 Tax Allocation Bonds

<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
Banker's Acceptances	None	None	None
Commercial Paper	None	None	None
Interest-bearing Time Deposits	None	None	None
Money Market Mutual Funds	N/A	None	None
Municipal Obligations	None	None	None

2004 Tax Allocation Bonds

<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
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Pre-refunded Municipal Obligations	None	None	None
Local Agency Investment Fund	None	None	None
Investment Contracts	30 years	None	None

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

2006 Tax Allocations

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Pre-refunded Municipal Obligations	None	None	None
Local Agency Investment Fund	None	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the 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 the 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 the portion of the portfolio is maturing or coming close to maturity evenly over times as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investment by maturity:

Investment Type	Total	Remaining Maturity (in Years)	
		1 Year or less	6 to 15 Years
Local Agency Investment Fund	\$ 12,991,339	\$ 12,991,339	\$ -
Certificate of deposit	250,000	250,000	-
Government reserve money market fund	501,780	501,780	-
Held by bond trustee:			
Investment agreement	799,500	-	799,500
Money market funds	8,501,853	8,501,853	-
Total	<u>\$ 23,044,472</u>	<u>\$ 22,244,972</u>	<u>\$ 799,500</u>

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Total	Minimum Legal Rating	Ratings as of Year Ending	
			AAA	Not Rated
Local Agency Investment Fund	\$ 12,991,339	N/A	\$ -	\$ 12,991,339
Certificate of deposit	250,000	N/A	-	250,000
Government reserve				
money market fund	501,780	N/A	501,780	-
Held by bond trustee:				
Investment agreement	799,500	N/A	-	799,500
Money market funds	8,501,853	N/A	8,501,853	-
Total	<u>\$ 23,044,472</u>		<u>\$ 9,003,633</u>	<u>\$ 14,040,839</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total City investment as of June 30, 2009.

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 the 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, 2009, none of the City's deposits with financial institutions were in excess of federal depository insurance limits.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

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.

(4) INTERFUND RECEIVABLES AND PAYABLES

Current interfund receivables and payables as of June 30, 2009 are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Community Development Block Grant Special Revenue Fund Redevelopment Agency Capital Projects Fund Nonmajor Governmental Funds	\$ 59,899 239,227 99,182 <u>\$ 398,308</u>

Interfund receivables and payables were created in order to eliminate short-term deficit cash balances.

Noncurrent interfund receivables and payables as of June 30, 2009 are as follows:

<u>Advances to other funds</u>	<u>Advances from other funds</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$ 4,879,563 <u>4,879,563</u>

In February 2001 General Fund advanced to the Redevelopment Agency Debt Service Fund \$3,303,382 at an interest rate of 10% to be paid back by February 2016. This advance agreement was made pursuant to a Disposition Development Agreement 93-23 and Amendments No. 1 and No. 2, whereby the Redevelopment Agency Debt Service fund agreed to provide and pay for on-site and off-site improvements and fees levied in connection with developing a card club and associated facilities. The amount outstanding at June 30, 2009 is 4,879,563.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

Transfers in and out for the year ended June 30, 2009 were as follows:

<u>Transfer Out</u>	<u>Transfers In</u>	<u>Amount</u>	
General Fund	Nonmajor Governmental Funds	\$ 472,000	(1)
	Community Development Block Grant Special Revenue Fund	192,626	(1)
Redevelopment Agency Debt Service Fund	General Fund	920,045	(2)
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	1,507,739	(3)
		<u>\$ 3,092,410</u>	

- (1) To provide resources to cover negative cash balances and fund deficits at year end.
- (2) To reimburse the General Fund for related capital project expenditures – Library and Dead End Street Projects.
- (3) To transfer the cash that was advanced from the General Fund to cover operating activities in the Redevelopment Agency Capital Projects Fund.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

(5) CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2009:

<u>Government Activities</u>	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at July 1, 2009</u>
Capital assets, not being depreciated:				
Rights-of-way	\$ 3,290,005	\$ -	\$ -	\$ 3,290,005
Land	5,445,294	-	-	5,445,294
Construction in progress	13,092,197	1,898,807	(5,260,804)	9,730,200
Total capital assets not being depreciated	<u>21,827,496</u>	<u>1,898,807</u>	<u>(5,260,804)</u>	<u>18,465,499</u>
Capital assets being depreciated:				
Buildings and improvements	7,566,779	5,260,804	-	12,827,583
Furniture and equipment	501,663	18,202	-	519,865
Vehicles	959,621	-	-	959,621
Infrastructure - road system	22,918,989	356,967	-	23,275,956
Total capital assets being depreciated	<u>31,947,052</u>	<u>5,635,973</u>	<u>-</u>	<u>37,583,025</u>
Less accumulated depreciation:				
Buildings and improvements	(3,753,469)	(177,138)	-	(3,930,607)
Furniture and equipment	(221,324)	(23,597)	-	(244,921)
Vehicles	(262,226)	(61,580)	-	(323,806)
Infrastructure - road system	(12,287,056)	(880,345)	-	(13,167,401)
Total accumulated depreciation	<u>(16,524,075)</u>	<u>(1,142,660)</u>	<u>-</u>	<u>(17,666,735)</u>
Total capital assets being depreciated, net	<u>15,422,977</u>	<u>4,493,313</u>	<u>-</u>	<u>19,916,290</u>
Total capital assets, net	<u>\$ 37,250,473</u>	<u>\$ 6,392,120</u>	<u>\$ (5,260,804)</u>	<u>\$ 38,381,789</u>

Depreciation expense was charged in the following functions in the Statement of Activities for the year ended June 30, 2009:

General government	\$ 983,144
Public safety	2,535
Public works	43,649
Culture and recreation	103,938
Urban development	946
Health and welfare	8,448
	<u>\$ 1,142,660</u>

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

(6) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009	Due Within One Year
1999 Tax Allocation					
Refunding Bonds	\$ 4,185,000	\$ -	\$ 605,000	\$ 3,580,000	\$ 635,000
2004 Tax Allocation					
Revenue Bonds	34,210,000	-	165,000	34,045,000	170,000
2006 Tax Allocation					
Revenue Bonds	9,920,000	-	1,570,000	8,350,000	325,000
Compensated Absences	478,201	195,892	159,484	514,609	160,000
	<u>\$ 48,793,201</u>	<u>\$ 195,892</u>	<u>\$ 2,499,484</u>	<u>\$ 46,489,609</u>	<u>\$ 1,290,000</u>

1999 Tax Allocation Refunding Bonds

In October 1999, the Agency issued \$7,995,000 Redevelopment Project No. 1 Tax Allocation Refunding Bonds (1999 Refunding Bonds). The 1999 Refunding Bonds were issued to currently refund the Agency's outstanding \$7,335,000 1988 Tax Allocation Refunding Bonds.

Interest on the 1999 Refunding Bonds is payable semi-annually on June 1 and December 1, commencing June 1, 2001. Bonds maturing in the years 2001 to 2009 are serial bonds payable on December 1, of each year, commencing 2001 through 2009.

Bonds maturing on December 1, 2013 in the amount of \$2,945,000 are term bonds. The outstanding bonds (serial and term) bear interest at 4.75% to 6.0% per annum, which is due June 1 and December 1 each year commencing June 1, 2001. The bonds are secured by a pledge of 80% of Project Area No. 1 tax increment revenues.

The bonds maturing after December 1, 2009 may be redeemed prior to maturity at the option of the Agency with premiums not exceeding 2%.

The legal debt service reserve required by the 1999 Refunding Bonds was \$530,500. As of June 30, 2009 the reserve was \$799,500.

At June 30, 2009 bonds outstanding on the 1999 Refunding Bonds were \$3,580,000.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

2004 Tax Allocation Revenue Bonds

In May 2004, the Authority issued \$34,530,000 Tax Allocation Revenue Bonds. Proceeds of the sales of the Bonds were used to purchase the Agency Bonds 2004 Series A and B bonds. The Bonds were issued to provide funds for the Authority to purchase the Agency Bonds from the Agency. The Agency Bonds were issued to refund the outstanding 1993 Tax Allocation Refunding Bonds. The Agency Bonds are being used to finance and refinance redevelopment activities of the Agency with respect to its Redevelopment Project No. 1 (the "Project Area").

Interest on the 2004 Refunding Bonds is payable semi-annually on June 1 and December 1, commencing December 1, 2004, at rates ranging from 2.00% to 5.25% per annum. Bonds maturing in the years 2006 through 2033 are term bonds payable on December 1 of each year commencing 2006 through 2033.

The bonds are secured by a pledge of 80% of Project Area No. 1 tax increment revenues. The bonds maturing on or after December 1, 2014 shall be subject to redemption in whole, or in part among such maturities as designated by the Authority, and by lot within a maturity at the option of the Authority, on any date or after December 1, 2014 from and to the extent of optional redemption of Agency Bonds by the Agency, from available funds, at the redemption price of 100% of the principal amount plus accrued interest.

The legal debt service reserve required by 2004 Refunding Bonds was \$1,875,245. As of June 30 2009, the fully refunded reserve was \$1,875,245. At June 30, 2009, bonds outstanding on the 2004 Revenue bonds were \$34,045,000.

2006 Tax Allocation Bonds

In July 2006, the Agency issued Tax Allocation Bonds – Series A and B in the amount of \$7,730,000 and \$4,775,000, respectively. The bonds were issued to finance redevelopment activities and to prepay its obligations under a Reimbursement Agreement between the Agency and the City under which the Agency was obligated to reimburse the City for lease payments that had been certified as the City's 2000 Certificates of Participation. A portion of the proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the 2000 Certificates of Participation. This advance refunding was undertaken to reduce total debt service payments over the next 16 years by \$1,695,284 and resulted in an economic gain of \$455,282.

The interest rate on the bonds range from 3.7% to 5.4% and the final maturity date is December 1, 2025. Interest on the bonds is due June 1 and December 1 of each year, commencing December 1, 2006. The bonds are secured by a pledge of 80% of Project Area No.1 tax increment revenues.

The legal debt service reserve required by the 2006 Tax Allocation Bonds was \$410,770. As of June 30 2009 the reserve was \$410,770. At June 30, 2009, bonds outstanding on the 2006 Tax Allocation Bonds were \$8,350,000.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

Minimum annual requirements to amortize long-term debt of the City as of June 30, 2009 are as follows:

Year Ending June 30,	1999		2004		2006		Totals
	Tax Allocation Refunding Bonds		Tax Allocation Revenue Bonds		Tax Allocation Revenue Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 635,000	\$ 194,163	\$ 170,000	\$ 1,651,839	\$ 325,000	\$ 401,953	\$ 3,377,955
2011	675,000	156,450	170,000	1,646,739	340,000	388,058	3,376,247
2012	715,000	114,750	175,000	1,641,127	355,000	372,753	3,373,630
2013	755,000	70,650	185,000	1,634,595	370,000	356,013	3,371,258
2014	800,000	24,000	195,000	1,627,227	385,000	338,575	3,369,802
2015-2019	-	-	5,730,000	7,506,651	2,240,000	1,386,349	16,863,000
2020-2024	-	-	7,195,000	5,991,681	2,865,000	748,225	16,799,906
2025-2029	-	-	8,890,000	3,980,856	1,470,000	75,320	14,416,176
2030-2033	-	-	11,335,000	1,472,375	-	-	12,807,375
Totals	\$ 3,580,000	\$ 560,013	\$ 34,045,000	\$ 27,153,090	\$ 8,350,000	\$ 4,067,246	\$ 77,755,349

Pledged Revenues

The tax allocation refunding bonds are secured and to be serviced from tax increment revenues excluding dedicated housing tax increment. At June 30, 2009 total interest and principal remaining on the 1999 Tax Allocation Bonds was \$4,140,013 through fiscal year ending June 30, 2014. At June 30, 2009 total interest and principal remaining on the 2004 Tax Allocation Bonds was \$61,198,090 through fiscal year ending June 30, 2033. At June 30, 2009 total interest and principal remaining on the 2006 Tax Allocation Bonds was \$12,417,246 through fiscal year ending June 30, 2029. Pledged tax increment revenue recognized during the year was \$5,408,257 million against the total debt service payment of \$4,673,947 million. Although the incremental property taxes were projected to produce sufficient revenues to meet the debt service requirements over the life of the bonds, certain conditions could have a material, adverse impact on revenues allocated to the Agency. These include future decreases in the assessed valuation of the project area, decreases in the applicable tax rates or collection rates, general decline in the economic condition of the project area, or a change in the law reducing the tax increment received by the Agency.

Defeasance of Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt issues. Accordingly, the trust account assets and the liability for the defeased debt issues are not included in the City's financial statements.

At June 30, 2009, the following outstanding certificates are considered defeased:

2000 Certificates of Participation	\$3,910,000
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CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

(7) DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and city contract with employee bargaining groups.

For each of the fiscal years shown below, the City has contributed at the actuarially determined percentage rate of annual covered pay 18.64%. Under GASB 27, an employer reports and annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. The City's covered payroll for PERS was \$3,707,033 for the year ended June 30, 2009, while the City's total payroll for all employees was \$4,448,421 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2008 to June 30, 2009.

Three-Year Trend Information

Annual Pension Cost

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/2007	18.44%	555,287	100%	-
6/30/2008	18.02%	628,739	100%	-
6/30/2009	18.64%	690,880	100%	-

(8) OTHER POST EMPLOYMENT BENEFITS

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

During the year ended June 30, 2009, the City implemented GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which changed the accounting and financial reporting used by local government employers for other post-employment benefits (OPEB). Previously, the costs of such benefits were generally recognized on a “pay-as-you-go” basis. The new reporting requirements for these benefit programs as they pertain to the City are set forth below.

Plan Description:

The City provides postretirement health care benefits through the CalPERS healthcare program (PEMHCA) to eligible employees who retire directly from the City. The City pays the cost for lifetime retiree and dependent medical benefits (maximum amount equal to the PERS Choice LA non-medicare 2-Party premium) The City does not provide a retiree contribution for dental, vision, or life insurance benefits.

The City has elected to join the *California Employers’ Retiree Benefit Trust* (the “Trust”) in accordance with GASB No. 43, which provides a means to fund the Annual Required Contribution (ARC) OPEB obligations. The City makes an annual contribution to the Trust, pays benefits either directly to retirees or through PEMHCA during the year, and then seeks reimbursement for these pay-as-you-go expenses from the Trust.

Funding Policy and Actuarial Methods and Assumption:

The contributions of the City to the Trust are established by City Council action. The contribution requirements are established via an actuarial valuation of the City’s Retiree Healthcare Plan as of June 30, 2008, performed in conformance with the GASB 43 and GASB 45 requirements. The required contribution is measured on an accrual basis rather than on a pay-as-you-go basis. The City contributed \$551,000 for the fiscal year ended June 30, 2009. The actuarial cost method used for determine the benefit obligations is the entry age cost method. The valuation is determined using a discount rate of 7.75%. The actuary used the following assumptions: medical premiums would increase by 8% to 10% depending on type of plan; assumed the average retirement for City employees to be 60 years of age. The unfunded actuarial accrued liability is being amortized over a closed, thirty year period. The District will fund the full annual required contribution during each fiscal year and will deposit the funds with the California Employer’s Retiree Benefit Trust Fund.

Annual OPEB Cost:

The annual OPEB cost is referred to as the Annual Required Contribution. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability over a maximum of 30 years.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

For fiscal year 2008-2009, the City's annual OPEB contribution to the trust of \$551,000 was equal to the ARC. The ARC equaled the City's contributions which resulted in a zero OPEB obligation at the end of the year.

Funded Status and Funding Progress:

The Funded Status of the City's Plan as of June 30, 2008, the most recent valuation date, was as follows (000's):

Actuarial accrued liability (AAL)	\$ 4,222,000
Actuarial value of Plan assets	-
Unfunded actuarial accrued liability (UAAL)	4,222,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active Plan members)	3,756,000
UAAL as a percentage of covered payroll	112.41%

(9) FUND BALANCES

Fund Balances at June 30, 2009 consisted of the following reserves and designations:

	General	Community Development Block Grant	Low and Moderate Income Housing	Debt Service Redevelopment Agency	Capital Projects Redevelopment Agency	Nonmajor Governmental	Total
Reserved for:							
Restricted cash	\$ -	\$ -	\$ -	\$ -	\$ 22,838	\$ -	\$ 22,838
Notes receivables	-	-	48,000	-	41,691	-	89,691
Deposits	1,787	-	-	-	-	-	1,787
Prepaid items	37,667	-	-	-	-	4,846	42,513
Advances to other funds	3,920,564	-	-	-	-	-	3,920,564
Property held for resale	-	-	1,275,252	-	786,518	-	2,061,770
Low income housing	-	-	4,565,167	-	-	-	4,565,167
Debt service	-	-	-	2,279,947	-	-	2,279,947
Subtotal	3,960,018	-	5,888,419	2,279,947	851,047	4,846	12,984,277
Unreserved:							
Designated for:							
Contingencies	5,450,000	-	-	-	-	-	5,450,000
Capital projects	1,646,696	-	-	-	-	-	1,646,696
Freddie Sports Complex	5,505,641	-	-	-	-	-	5,505,641
Undesignated reported in							
Special revenue funds	-	-	-	-	-	1,071,053	1,071,053
Capital projects funds	-	-	-	-	(279,391)	-	(279,391)
Total fund balances	\$ 16,562,355	\$ -	\$ 5,888,419	\$ 2,279,947	\$ 571,656	\$ 1,075,899	\$ 26,378,276

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

(10) LIABILITY, PROPERTY AND WORKERS COMPENSATION PROTECTION

a. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code § 650 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Authority's pool began covering claims off its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

b. Self-Insurance Programs of the Authority

General Liability Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated under \$30,000. Losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection of each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

Workers' Compensation City of Hawaiian Gardens also participates in the worker's compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000 to \$100,000 and the loss development reserved associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and employer's liability losses from \$5,000,000 to \$10,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$300,000,000 are transferred to reinsurance carriers. Costs in excess of \$300,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Worker's Compensation law. Administrative expenses are paid from the Authority's investment earnings.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

c. Purchased Insurance

Property Insurance City of Hawaiian Gardens participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$5,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2005 through July 1, 2008. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Earthquake and Flood Insurance City of Hawaiian Gardens purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City's property currently has earthquake protection in the amount of \$14,505,196. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance The City purchases crime insurance coverage in the amount of \$1,000,000 with \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Special Event Tenant User Liability Insurance The City further protects liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on City property. The insurance premium is paid by the tenant user and is paid to the City according to a schedule. The City then pays for the insurance. The insurance is arranged by the Authority.

d. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

(11) DEBT WITHOUT GOVERNMENT COMMITMENT

On September 27, 1994, the cities of Hawaiian Gardens, Norwalk and Paramount signed a joint powers agreement creating the Tri-City Housing Finance Agency (Agency), a joint powers authority. On December 1, 1994, the Agency issued \$20,000,000 of Tri-City Housing Finance Agency 1994 Single Family Mortgage Revenue Bonds (Fannie Mae and Ginnie Mae Mortgaged-Backed Securities Program) for the purpose of financing home mortgages secured by homes within the cities. The outstanding debt at June 30, 2009 was \$0. These bonds do not constitute a debt or an obligation of the Agency because the bonds are solely payable from and secured by assets and revenues of other parties. The bonds are therefore not recorded as a liability of the City in the accompanying financial statements. The bonds were paid off during the fiscal year.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2009

(12) RESTATEMENT OF FUND BALANCE AND NET ASSETS

Restatement of fund balances and net assets:

	General Fund	Redevelopment Agency Debt Service Fund	Governmental Net Assets
Fund balances and net assets as of July 1, 2008	\$ 14,438,216	\$ 3,680,022	\$ 15,339,964
Correction of expenditures not recorded in prior year	(237,744)	-	(237,744)
Correction of revenue not recorded in prior year	8,149	-	8,149
Correction of amounts due from other governments	-	(81,658)	(81,658)
Fund balances and net assets as of July 1, 2008, as restated	<u>\$ 14,208,621</u>	<u>\$ 3,598,364</u>	<u>15,028,711</u>

These entries were necessary to correct the amounts recorded in prior years.

(13) SUBSEQUENT EVENT

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county “Supplemental” Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State’s Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency’s share of this revenue shift is approximately \$2,446,383 in fiscal year 2009-2010 and \$503,000 in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to AB 26 4x, the Agency intends to use accumulated balance in the Low and Moderate Income Special Revenue Fund to fund its SERAF payments due in May 2010 and 2011.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year’s successful lawsuit challenging the constitutionality of AB 1389. The CRA filed its lawsuit on October 20, 2009. The lawsuit asserts that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint will also assert impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year’s lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 2,178,000	\$ 2,178,000	\$ 2,275,521	\$ 97,521
Licenses and permits	13,590,800	13,590,800	14,526,268	935,468
Intergovernmental	160,000	160,000	141,099	(18,901)
Foundation contributions	1,000	1,000	529,850	528,850
Charges for services	198,288	198,288	843,071	644,783
Fines and penalties	144,000	144,000	183,713	39,713
Rental income	47,700	47,700	52,638	4,938
Investment income	350,000	350,000	274,824	(75,176)
Other revenues	8,500	8,500	117,256	108,756
Total revenues	<u>16,678,288</u>	<u>16,678,288</u>	<u>18,944,240</u>	<u>2,265,952</u>
Expenditures:				
Current:				
General government	4,894,681	4,894,681	5,185,754	(291,073)
Public safety	3,606,896	3,606,896	3,402,801	204,095
Public works	1,030,760	1,030,760	1,041,382	(10,622)
Culture and recreation	3,521,750	3,521,750	3,525,838	(4,088)
Capital outlay	11,912,235	11,912,235	3,690,150	8,222,085
Total Expenditures	<u>24,966,322</u>	<u>24,966,322</u>	<u>16,845,925</u>	<u>8,120,397</u>
Excess of revenues over (under) expenditures	<u>(8,288,034)</u>	<u>(8,288,034)</u>	<u>2,098,315</u>	<u>10,386,349</u>
Other financing sources (uses):				
Transfer in	920,045	920,045	920,045	-
Transfer out	(664,626)	(664,626)	(664,626)	-
Total other financing sources (uses)	<u>255,419</u>	<u>255,419</u>	<u>255,419</u>	<u>-</u>
Net change in fund balances	(8,032,615)	(8,032,615)	2,353,734	10,386,349
Fund balance at beginning of year as restated	<u>14,208,621</u>	<u>14,208,621</u>	<u>14,208,621</u>	<u>-</u>
Fund balance at end of year	<u>\$ 6,176,006</u>	<u>\$ 6,176,006</u>	<u>\$ 16,562,355</u>	<u>\$ 10,386,349</u>

See Accompanying Note to Required Supplementary Information.

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 990,115	\$ 990,115	\$ 1,209,652	\$ 219,537
Expenditures:				
Current:				
General government	30,000	30,000	30,000	-
Urban development	768,735	768,735	617,029	151,706
Capital outlay	<u>1,033,429</u>	<u>1,033,429</u>	<u>760,962</u>	<u>272,467</u>
Total expenditures	<u>1,832,164</u>	<u>1,832,164</u>	<u>1,407,991</u>	<u>424,173</u>
(Deficiency) of revenues (under) expenditures	(842,049)	(842,049)	(198,339)	643,710
Other financing sources:				
Transfer in	<u>-</u>	<u>-</u>	<u>192,626</u>	<u>192,626</u>
Net change in fund balance	(842,049)	(842,049)	(5,713)	836,336
Fund balance, beginning of year	<u>5,713</u>	<u>5,713</u>	<u>5,713</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (836,336)</u>	<u>\$ (836,336)</u>	<u>\$ -</u>	<u>\$ 836,336</u>

See Accompanying Note to Required Supplementary Information.

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Low and Moderate Income Housing Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 1,390,284	\$ 1,390,284
Investment income	-	-	85,471	85,471
Other revenue	-	-	20,000	20,000
Total revenues	<u>-</u>	<u>-</u>	<u>1,495,755</u>	<u>1,495,755</u>
Expenditures:				
Current:				
General Government	711,166	711,166	230,435	480,731
Debt service:				
Principal	-	-	2,622	(2,622)
Interest	-	-	200,000	(200,000)
Total expenditures	<u>711,166</u>	<u>711,166</u>	<u>433,057</u>	<u>278,109</u>
Net change in fund balance	(711,166)	(711,166)	1,062,698	1,773,864
Fund balance, beginning of year	<u>4,825,721</u>	<u>4,825,721</u>	<u>4,825,721</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,114,555</u></u>	<u><u>\$ 4,114,555</u></u>	<u><u>\$ 5,888,419</u></u>	<u><u>\$ 1,773,864</u></u>

See Accompanying Note to Required Supplementary Information.

CITY OF HAWAIIAN GARDENS
Required Supplementary Information
OPEB Schedule of Funding Progress
June 30, 2009

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/2008	-	4,222,000	4,222,000	0.00%	\$ 3,756,000	112.41%

CITY OF HAWAIIAN GARDENS
Note to Required Supplementary Information
Year Ended June 30, 2009

(1) BUDGETARY DATA

The City Manager submits to the City Council a proposed operating budget. The operating budget includes proposed expenditures and the sources of financing. The City Council may amend the budget by resolution during the fiscal year. The City Manager is authorized to transfer funds appropriated within the same fund.

The level at which the expenditures may not legally exceed appropriations is the fund level.

Formal budgetary integration is not employed for debt service funds or capital project funds because effective budgetary control is alternatively achieved through trust indenture provisions. Therefore, these funds do not have legally adopted budgets. Special revenue funds have legally adopted budgets which are established on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council.

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SUPPLEMENTARY INFORMATION

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DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds are used to account for specific revenues and the related expenditures which are legally required to be accounted for in a separate fund. Funds included are:

Nonmajor Special Revenue Funds

State Gas Tax

To account for State and County gasoline tax allocations and any Federal funds provided to the City for street-related purposes.

Local Transportation

To account for the receipt and disbursement of funds received per Transportation Development Act Article 3 (SB 821) of the Bikeway and Pedestrian Program and the State and Local Fiscal Assistance Act of 1972.

Air Quality Management District

To account for the receipt and expenditure of Air Quality Management District funds.

Proposition C Local Transit Assistance

To account for financial transactions in accordance with Proposition C Local Transit Assistance Act regulations.

Proposition A Local Transit Assistance

To account for financial transactions in accordance with Proposition A Local Transit Assistance Act regulations.

Community Oriented Police Services (COPS)

To account for Federal and State funds received for policing and law enforcement activities.

Housing Authority

To account for the receipt and expenditure of Federal and State funds related to housing programs.

Lighting and Landscaping

To account for assessments for maintenance pursuant to the 1972 Lighting and Landscaping Act.

CITY OF HAWAIIAN GARDENS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue			
	State Gas Tax	Local Transportation	Air Quality Management District	Proposition C Local Transit Assistance
Assets:				
Cash and investments	\$ 398,517	\$ 28,655	\$ 131,468	\$ 2,548
Accounts receivables	-	-	4,500	-
Due from other governments	32,012	-	8,422	14,500
Prepaid items	2,423	-	-	-
Total assets	\$ 432,952	\$ 28,655	\$ 144,390	\$ 17,048
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 9,144	\$ 50,000	\$ -	\$ 991
Accrued liabilities	3,089	-	-	4,084
Due to other funds	-	-	-	75,120
Total liabilities	12,233	50,000	-	80,195
Fund balances:				
Reserved for prepaid items	2,423	-	-	-
Unreserved: Undesignated	418,296	(21,345)	144,390	(63,147)
Total fund balances	420,719	(21,345)	144,390	(63,147)
Total liabilities and fund balances	\$ 432,952	\$ 28,655	\$ 144,390	\$ 17,048

Proposition A Local Transit Assistance	Special Revenue			Total Nonmajor Governmental Funds
	Community Oriented Police Service	Housing Authority	Lighting and Landscaping	
\$ 2,548	\$ 15,384	\$ 213,675	\$ 377,391	\$ 1,170,186
-	-	-	-	4,500
17,476	857	-	28,632	101,899
-	-	-	2,423	4,846
<u>\$ 20,024</u>	<u>\$ 16,241</u>	<u>\$ 213,675</u>	<u>\$ 408,446</u>	<u>\$ 1,281,431</u>
\$ 1,027	\$ 1,910	\$ 2,280	\$ 24,037	\$ 89,389
5,227	-	3,222	1,339	16,961
24,062	-	-	-	99,182
<u>30,316</u>	<u>1,910</u>	<u>5,502</u>	<u>25,376</u>	<u>205,532</u>
-	-	-	2,423	4,846
<u>(10,292)</u>	<u>14,331</u>	<u>208,173</u>	<u>380,647</u>	<u>1,071,053</u>
<u>(10,292)</u>	<u>14,331</u>	<u>208,173</u>	<u>383,070</u>	<u>1,075,899</u>
<u>\$ 20,024</u>	<u>\$ 16,241</u>	<u>\$ 213,675</u>	<u>\$ 408,446</u>	<u>\$ 1,281,431</u>

CITY OF HAWAIIAN GARDENS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue			
	State Gas Tax	Local Transportation	Air Quality Management District	Proposition C Local Transit Assistance
Revenues:				
Taxes	\$ 464,235	\$ -	\$ 17,371	\$ 191,275
Intergovernmental revenues	400,000	9,185	-	-
Investment income	7,442	535	2,455	48
Other revenues	-	-	-	-
Total revenues	<u>871,677</u>	<u>9,720</u>	<u>19,826</u>	<u>191,323</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Highway and streets	450,407	82,652	-	367,198
Health and welfare	-	-	-	-
Total expenditures	<u>450,407</u>	<u>82,652</u>	<u>-</u>	<u>367,198</u>
Excess (deficiency) of revenues over (under) expenditures	421,270	(72,932)	19,826	(175,875)
Other financing sources:				
Transfers in	-	-	-	117,000
Net change in fund balances	421,270	(72,932)	19,826	(58,875)
Fund balances (deficits), beginning of year	<u>(551)</u>	<u>51,587</u>	<u>124,564</u>	<u>(4,272)</u>
Fund balances (deficits), end of year	<u>\$ 420,719</u>	<u>\$ (21,345)</u>	<u>\$ 144,390</u>	<u>\$ (63,147)</u>

Proposition A Local Transit Assistance	Special Revenue			Total Nonmajor Governmental Funds
	Community Oriented Police Services	Housing Authority	Lighting and Landscaping	
\$ 229,662	\$ -	\$ -	\$ 288,979	\$ 1,191,522
-	90,575	1,026,672	-	1,526,432
48	287	346	7,047	18,208
1,150	-	-	-	1,150
<u>230,860</u>	<u>90,862</u>	<u>1,027,018</u>	<u>296,026</u>	<u>2,737,312</u>
-	170,182	-	-	170,182
-	-	-	265,153	265,153
423,640	-	-	-	1,323,897
-	-	1,247,533	-	1,247,533
<u>423,640</u>	<u>170,182</u>	<u>1,247,533</u>	<u>265,153</u>	<u>3,006,765</u>
(192,780)	(79,320)	(220,515)	30,873	(269,453)
<u>187,000</u>	<u>56,000</u>	<u>112,000</u>	<u>-</u>	<u>472,000</u>
(5,780)	(23,320)	(108,515)	30,873	202,547
<u>(4,512)</u>	<u>37,651</u>	<u>316,688</u>	<u>352,197</u>	<u>873,352</u>
<u>\$ (10,292)</u>	<u>\$ 14,331</u>	<u>\$ 208,173</u>	<u>\$ 383,070</u>	<u>\$ 1,075,899</u>

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 460,500	\$ 464,235	\$ 3,735
Intergovernmental revenues	-	400,000	400,000
Investment income	-	7,442	7,442
	<hr/>	<hr/>	<hr/>
Total revenues	460,500	871,677	411,177
Expenditures:			
Current:			
Highways and streets	484,187	450,407	33,780
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(23,687)	421,270	444,957
Fund balance (deficit), beginning of year	<hr/> (551)	<hr/> (551)	<hr/> -
Fund balance (deficit), end of year	<hr/> <u>\$ (24,238)</u>	<hr/> <u>\$ 420,719</u>	<hr/> <u>\$ 444,957</u>

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Local Transportation Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental revenues	\$ 42,357	\$ 9,185	\$ (33,172)
Investment income	-	535	535
	<u>42,357</u>	<u>9,720</u>	<u>(32,637)</u>
Total revenues	42,357	9,720	(32,637)
Expenditures:			
Current:			
Highways and streets	<u>33,000</u>	<u>82,652</u>	<u>(49,652)</u>
Net change in fund balance	9,357	(72,932)	(82,289)
Fund balance, beginning of year	<u>51,587</u>	<u>51,587</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 60,944</u>	<u>\$ (21,345)</u>	<u>\$ (82,289)</u>

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 11,000	\$ 17,371	\$ 6,371
Investment income	-	2,455	2,455
	<hr/>	<hr/>	<hr/>
Total revenues	11,000	19,826	8,826
Fund balance, beginning of year	<hr/> 124,564	<hr/> 124,564	<hr/> -
Fund balance, end of year	<u><u>\$ 135,564</u></u>	<u><u>\$ 144,390</u></u>	<u><u>\$ 8,826</u></u>

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Proposition C Local Transit Assistance Special Revenue Fund
For the Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 220,000	\$ 191,275	\$ (28,725)
Investment income	-	48	48
	220,000	191,323	(28,677)
Expenditures:			
Current:			
Highways and streets	336,040	367,198	(31,158)
(Deficiency) of revenues (under) expenditures	(116,040)	(175,875)	(59,835)
Other financing sources:			
Transfer in	-	117,000	117,000
Net change in fund balance	(116,040)	(58,875)	57,165
Fund balance (deficit), beginning of year	(4,272)	(4,272)	-
Fund balance (deficit), end of year	\$ (120,312)	\$ (63,147)	\$ 57,165

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Proposition A Local Transit Assistance Special Revenue Fund
For the Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 235,000	\$ 229,662	\$ (5,338)
Investment income	-	48	48
Other revenues	-	1,150	1,150
	235,000	230,860	(4,140)
Expenditures:			
Current:			
Highways and streets	427,863	423,640	4,223
	427,863	423,640	4,223
(Deficiency) of revenues (under) expenditures	(192,863)	(192,780)	83
Other financing sources:			
Transfer in	-	187,000	187,000
	-	187,000	187,000
Net change in fund balance	(192,863)	(5,780)	187,083
Fund balance (deficit), beginning of year	(4,512)	(4,512)	-
Fund balance (deficit), end of year	\$ (197,375)	\$ (10,292)	\$ 187,083

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Community Oriented Police Services (COPS) Special Revenue Fund
For the Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 102,688	\$ 90,575	\$ (12,113)
Investment income	-	287	287
Total revenues	102,688	90,862	(11,826)
Expenditures:			
Current:			
Public safety	148,400	170,182	(21,782)
(Deficiency) of revenues (under) expenditures	(45,712)	(79,320)	(33,608)
Other financing sources:			
Transfer in	-	56,000	56,000
Net change in fund balance	(45,712)	(23,320)	22,392
Fund balance, beginning of year	37,651	37,651	-
Fund balance (deficit), end of year	\$ (8,061)	\$ 14,331	\$ 22,392

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Housing Authority Special Revenue Fund
For the Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental revenues	\$ 880,000	\$ 1,026,672	\$ 146,672
Investment income	-	346	346
	880,000	1,027,018	147,018
Expenditures:			
Current:			
Health and welfare	978,026	1,247,533	(269,507)
(Deficiency) of revenues (under) expenditures	(98,026)	(220,515)	(122,489)
Other financing sources:			
Transfer in	-	112,000	112,000
Net change in fund balance	(98,026)	(108,515)	(10,489)
Fund balance, beginning of year	316,688	316,688	-
Fund balance, end of year	\$ 218,662	\$ 208,173	\$ (10,489)

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Lighting and Landscaping Special Revenue Fund
For the Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 262,000	\$ 288,979	\$ 26,979
Investment income	-	7,047	7,047
	262,000	296,026	34,026
Expenditures:			
Current:			
Public works	265,074	265,153	(79)
Net change in fund balance	(3,074)	30,873	33,947
Fund balance, beginning of year	352,197	352,197	-
Fund balance, end of year	\$ 349,123	\$ 383,070	\$ 33,947

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CITY OF HAWAIIAN GARDENS
Statistical Section (Unaudited)
For the Year Ended June 30, 2009

This part of the City of Hawaiian Gardens Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	70
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	74
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	77
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	82
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	84

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF HAWAIIAN GARDENS
Net Assets by Component
Last Six Fiscal Years
(Accrual basis of Accounting)

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
Governmental activities:						
Invested in capital assets, net of related debt	\$ (4,507,696)	\$ (3,492,729)	\$ (6,487,493)	\$ (8,112,953)	\$ (8,382,519)	\$ (10,738,130)
Restricted	6,937,550	5,707,857	4,395,094	3,241,677	2,492,902	1,980,322
Unrestricted	17,433,710	13,124,836	12,401,215	11,473,212	8,208,447	9,893,035
Total governmental activities net assets	<u>\$ 19,863,564</u>	<u>\$ 15,339,964</u>	<u>\$ 10,308,816</u>	<u>\$ 6,601,936</u>	<u>\$ 2,318,830</u>	<u>\$ 1,135,227</u>

The City of Hawaiian Gardens implemented GASB 34 for the fiscal year ended June 30, 2004. Information prior to the implementation is not available.

CITY OF HAWAIIAN GARDENS
Changes in Net Assets
Last Six Fiscal Years
(Accrual basis of Accounting)

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
Expenses:						
Governmental activities						
General Government	\$ 8,743,259	\$ 6,376,603	\$ 6,062,061	\$ 6,577,405	\$ 5,762,647	\$ 4,518,330
Public Safety	3,575,518	2,973,856	3,076,208	2,478,149	2,748,910	2,184,435
Public Works	1,821,252	1,891,194	1,564,133	1,384,822	1,308,662	1,250,952
Highways and Streets	2,759,782	3,042,425	2,114,683	2,577,800	2,240,664	938,543
Culture and Receptions	3,899,959	3,867,286	4,007,930	3,136,595	2,489,541	2,042,629
Urban Development	821,009	996,756	822,744	1,037,822	1,382,237	876,822
Health and Welfare	1,255,981	1,061,060	926,553	975,746	976,007	1,034,321
Interest and fiscal charges	2,324,079	2,470,165	3,411,036	2,339,139	2,359,155	4,969,273
Total governmental activities expense	<u>\$ 25,200,839</u>	<u>\$ 22,679,345</u>	<u>\$ 21,985,348</u>	<u>\$ 20,507,478</u>	<u>\$ 19,267,823</u>	<u>\$ 17,815,305</u>
Program revenues:						
Government activities:						
Charges for services:						
General government	\$ 350,998	\$ 135,651	\$ 102,814	\$ 96,878	\$ 100,849	\$ 74,480
Public Safety	208,209	986,372	568,487	658,938	461,542	446,443
Public Works	889,034	299,565	281,424	269,998	288,899	265,319
Culture and Receptions	120,450	94,197	313,776	577,301	523,941	518,272
Health and Welfare	129,483	105,486	104,680	109,180	4,974	699
Operating grants and contributions	3,651,069	2,562,089	3,266,016	2,931,450	2,525,149	2,279,547
Capital grants and contributions	529,850	499,736	83,129	506,710		
Total governmental activities program revenues	<u>\$ 5,879,093</u>	<u>\$ 4,683,096</u>	<u>\$ 4,720,326</u>	<u>\$ 5,150,455</u>	<u>\$ 3,905,354</u>	<u>\$ 3,584,760</u>
General revenues and other changes in net assets:						
Governmental activities						
Taxes:						
Property taxes	6,960,788	6,106,660	5,841,469	5,337,310	4,679,678	4,221,075
Business license taxes	14,117,458	13,252,065	11,676,652	10,804,786	9,306,103	7,644,733
Sales taxes	705,319	694,394	690,784	634,205	615,476	540,526
Franchise taxes	181,547	153,861	168,341	162,522	155,249	243,083
Other taxes	31,514	52,189	62,424	73,352	47,780	39,206
Motor vehicle in lieu, unrestricted	1,454,009	1,426,058	1,325,587	1,517,327	1,021,176	761,054
Investment income	617,954	1,153,044	1,237,348	585,675	461,737	402,806
Other general revenues	88,010	189,126	178,407	524,952	258,873	177,809
Total governmental activities	<u>\$ 24,156,599</u>	<u>\$ 23,027,397</u>	<u>\$ 21,181,012</u>	<u>\$ 19,640,129</u>	<u>\$ 16,546,072</u>	<u>\$ 14,030,292</u>
Change in Net Assets	<u>\$ 4,834,853</u>	<u>\$ 5,031,148</u>	<u>\$ 3,915,990</u>	<u>\$ 4,283,106</u>	<u>\$ 1,183,603</u>	<u>\$ (200,253)</u>

The City of Hawaiian Gardens implemented GASB 34 for the fiscal year ended June 30, 2004. Information prior to the implementation is not available.

CITY OF HAWAIIAN GARDENS
Fund Balances of Governmental Funds
Last Six Fiscal Years
(Modified accrual basis of Accounting)

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
General Fund:						
Reserved	\$ 3,960,018	\$ 3,316,082	\$ 3,753,111	\$ 2,766,990	\$ 1,260,252	\$ 1,896,311
Unreserved	12,602,337	11,122,134	9,742,260	7,917,405	5,787,267	4,023,686
Total General Fund	<u>\$ 16,562,355</u>	<u>\$ 14,438,216</u>	<u>\$ 13,495,371</u>	<u>\$ 10,684,395</u>	<u>\$ 7,047,519</u>	<u>\$ 5,919,997</u>
All other Governmental Funds:						
Reserved	\$ 9,024,259	\$ 6,117,920	\$ 12,958,711	\$ 6,102,532	\$ 6,310,926	\$ 9,077,676
Unreserved, reported in:						
Special Revenue Funds	1,071,053	5,322,579	4,344,677	3,193,682	2,372,878	1,738,165
Capital Projects Funds	(279,391)	(81,077)	(52,096)			2,333,389
Total All other Governmental Funds	<u>\$ 9,815,921</u>	<u>\$ 11,359,422</u>	<u>\$ 17,251,292</u>	<u>\$ 9,296,214</u>	<u>\$ 8,683,804</u>	<u>\$ 13,149,230</u>

The City of Hawaiian Gardens implemented GASB 34 for the fiscal year ended June 30, 2004. Information prior to the implementation is not available.

CITY OF HAWAIIAN GARDENS
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(Modified accrual basis of Accounting)

	Fiscal Year					
	2009	2008	2007	2006	2005	2004
Revenues:						
Taxes	\$ 10,265,584	\$ 8,071,962	\$ 7,842,778	\$ 7,084,914	\$ 6,354,896	\$ 5,748,930
Licenses and Permits	14,526,268	14,257,240	12,280,520	11,490,064	9,824,414	8,225,915
Intergovernmental	2,877,183	3,305,467	3,768,272	3,704,233	2,816,312	2,333,356
Foundation Contributions	529,850	499,250	83,150	506,710	5,940	5,670
Charges for Services	843,071	103,602	87,900	90,381	79,748	49,764
Fines and penalties	183,713	159,332	168,314	176,779	130,773	117,367
Rental Income	109,186	145,003	141,426	1,005,169	977,859	996,605
Investment Income	502,948	1,153,044	1,237,348	585,785	473,692	402,806
Other Revenue	143,299	232,753	341,491	466,147	247,392	197,056
Gain on sale of agency property				140,002		
Total Revenues	\$ 29,981,102	\$ 27,927,653	\$ 25,951,199	\$ 25,250,184	\$ 20,911,026	\$ 18,077,469
Expenditures:						
Current:						
General Government	\$ 7,723,707	\$ 5,371,729	\$ 4,935,292	\$ 4,718,045	\$ 4,730,487	\$ 3,823,732
Public Safety	3,572,983	2,960,771	3,073,673	2,475,614	2,731,411	2,181,900
Public Works	1,306,535	1,275,918	1,207,237	1,204,851	1,237,449	1,013,922
Highways and Streets	1,323,897	1,242,829	1,660,678	2,220,587	5,970,605	938,543
Culture and Recreations	3,525,838	3,419,025	3,126,003	2,726,177	2,381,893	1,983,416
Urban Development	820,063	1,250,831	1,050,126	1,673,136	1,382,237	876,822
Health and Welfare	1,247,533	1,050,616	916,166	969,686	967,713	1,029,550
Capital Outlay	4,451,112	10,182,424	3,228,704	1,822,340	1,318,204	1,181,960
Debt Service:						
Principal	2,340,000	3,320,000	705,000	630,000	600,000	570,000
Interest	2,777,543	2,802,535	2,784,104	2,801,435	2,928,931	3,219,163
Payment to bond escrow agent			759,204			2,789,912
Cost of issuance			389,237			1,138,239
Bond premiums and discounts						102,644
Total Expenditures	\$ 29,089,211	\$ 32,876,678	\$ 23,835,424	\$ 21,241,871	\$ 24,248,930	\$ 20,849,803
Excess (deficiency) of Revenues over (under) Expenditures	\$ 891,891	\$ (4,949,025)	\$ 2,115,775	\$ 4,008,313	\$ (3,337,904)	\$ (2,772,334)
Other Financing Sources (uses):						
Transfers in	3,092,410	6,957,342	11,527,855	2,136,556	1,861,413	4,298,522
Transfers out	(3,092,410)	(6,957,342)	(11,527,855)	(2,136,556)	(1,861,413)	(4,298,522)
Sale of Property			98,888	240,973		
Issuance of Long-Term Debt			12,505,000			34,530,000
Payment to Bond Escrow Agent			(3,934,042)			(27,329,462)
Bond Premium			189,543			
Total other Financing Sources (uses)	\$ -	\$ -	\$ 8,859,389	\$ 240,973	\$ -	\$ 7,200,538
Net Change in Fund Balances	\$ 891,891	\$ (4,949,025)	\$ 10,975,164	\$ 4,249,286	\$ (3,337,904)	\$ 4,428,204
Debt Service as a Percentage of Noncapital Expenditures	26.22%	36.95%	21.85%	21.46%	18.19%	31.98%

The City of Hawaiian Gardens implemented GASB 34 for the fiscal year ended June 30, 2004. Information prior to the implementation is not available.

CITY OF HAWAIIAN GARDENS
Assessed Value and Estimated Actual of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2000	341,312,601	14,929,004	(7,127,134)	349,114,471	0.88%
2001	349,897,233	15,073,019	(6,537,296)	358,432,956	0.88%
2002	367,436,659	16,662,208	(5,308,209)	378,790,658	0.88%
2003	387,024,934	18,315,837	(4,551,103)	400,789,668	0.89%
2004	426,831,693	15,701,171	(4,673,562)	437,859,302	0.90%
2005	468,547,888	16,138,352	(4,695,704)	479,990,536	0.91%
2006	541,290,725	23,510,432	(4,780,963)	560,020,194	0.91%
2007	609,233,786	20,638,106	(5,082,214)	624,789,678	0.92%
2008	680,648,066	20,556,067	(3,750,045)	697,454,088	0.93%
2009	720,492,390	22,574,776	(26,443,911)	716,623,255	0.93%

Notes: .

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

Source for Direct Tax Rate: Hdl Coren & Cone

CITY OF HAWAIIAN GARDENS
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09
Basic Levy (1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
001.53 Detention Facilities 1987 Debt S	0.00142	0.00131	0.00113	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000
030.60 LA Co. Fl. Con. Storm D.S #4	0.00097	0.00092	0.00066	0.00062	0.00043	0.00021	0.00002	0.00005	0.00000	0.00000
030.61 Flood Con. Ref Bonds 1993 DS	0.00079	0.00064	0.00041	0.00026	0.00004	0.00003	0.00003	0.00000	0.00000	0.00000
790.50 Cerritos Ccd DS 2004 Ser2004A	0.00000	0.00000	0.00000	0.00000	0.00000	0.01908	0.01279	0.00251	0.00407	0.00172
790.51 Cerritos Ccd DS 2005 Ref Bonds	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01144	0.00429	0.00412	0.00510
790.52 Cerritos Ccd DS 2004 Series 2006	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01713	0.00253	0.00312
807.50 Long Beach Ccd DS 2002 S-A 2003	0.00000	0.00000	0.00000	0.00000	0.01171	0.01239	0.00518	0.00088	0.00265	0.00237
807.51 Long Beach Ccd DS 2002 Series B 2005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01339	0.00780	0.00688	0.00599
807.52 Long Beach Ccd DS Ref. Bd 02 S-C-05	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00285	0.00792	0.00670
807.53 Long Beach Ccd DS 2002 Series D 2007	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00095	0.00451
807.54 Long Beach Ccd Ds 2008, 2008 Ser A	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00224
819.51 ABC USD DS 2003 Refidg Bd S-A	0.02578	0.01059	0.01137	0.01223	0.00998	0.01087	0.01248	0.01028	0.01015	0.01013
819.52 ABC Unified School District 1997 Series B	0.00000	0.01508	0.01359	0.01556	0.01493	0.01570	0.01497	0.01399	0.01420	0.01375
883.50 Long Beach Unified School District 1999 Series A	0.00763	0.00657	0.00566	0.00552	0.00511	0.00443	0.00387	0.00368	0.00330	0.00308
883.51 Long Beach Unified School District 1999 Series B	0.00000	0.00939	0.00687	0.00685	0.00645	0.00545	0.00479	0.00456	0.00412	0.00379
883.51 Long Beach Unified School District 1999 Series C	0.00000	0.00000	0.01625	0.01345	0.01190	0.00996	0.00889	0.00851	0.00772	0.00721
883.51 Long Beach Unified School District 1999 Series D	0.00000	0.00000	0.00000	0.00938	0.00826	0.00712	0.00615	0.00587	0.00532	0.00494
883.51 Long Beach Unified School District 1999 Series E	0.00000	0.00000	0.00000	0.00000	0.01114	0.01054	0.00877	0.00820	0.00751	0.00704
883.51 Long Beach Unified School District 1999 Series F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00918	0.00829	0.00730	0.00660	0.00615
Metropolitan Water District	0.00890	0.00880	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430
Total Direct and Overlapping Tax Rates	\$ 1.04549	\$ 1.05330	\$ 1.06364	\$ 1.07160	\$ 1.08704	\$ 1.11168	\$ 1.11706	\$ 1.10326	\$ 1.09254	\$ 1.09214
City's Share of 1% Levy Per Prop 13 (2)	0.05602	0.05602	0.05602	0.05602	0.05602	0.05602	0.05602	0.05602	0.05602	0.05602
Redevelopment Rate (3)	1.01209	1.00167	1.00990	1.00861	1.00755	1.00697	1.00604	1.00541	1.00450	1.00430
Total Direct Rate (4)	0.87615	0.87859	0.88421	0.89245	0.90223	0.90622	0.91098	0.92028	0.92834	0.93015

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) City's share of 1% Levy is based on the City's share of general fund tax rate area within the largest net taxable value within the City.

(3) Redevelopment rate is based on the largest Redevelopment tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. Redevelopment direct and overlapping rates are applied only to the incremental values.

(4) Total Direct Rate is the weighted average of all individual rates applied by the government preparing the statistical section information.

Source: Hdl, Coren & Cone

CITY OF HAWAIIAN GARDENS
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2009		2000	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Cerritos Gardens General Hospital Company	\$ 19,638,393	2.74%	\$ 19,628,572	5.62%
ESS PRISA III Owner LLC	15,291,930	2.13%		
Urdang and Cadence Hawaiian Gardens LLC	14,294,467	1.99%		
Colton HAWAIIAN Gardens LLC	12,530,000	1.75%		
Irving I Moskowitz Foundation	11,446,733	1.60%		
Park City Main Street Mall LC	9,573,276	1.34%		
Hawaiian Gardens Square	9,387,787	1.31%	5,282,820	1.51%
Whelan Investments NC	8,588,412	1.20%	5,349,170	1.53%
DV Properties	8,345,477	1.16%		
Hawaiian Gardens Card Club Inc	6,881,973	0.96%		
Norwalk Carson Associates LLC			9,702,037	2.78%
JJJ Enterprises Limited			7,178,000	2.06%
Hawaiian Gardens Limited Partnership			5,600,039	1.60%
Susa Partnership Limited Partnership			5,506,172	1.58%
AU Zone Investment No. 2 Limited Partnership			4,155,598	1.19%
Bloomfield Avenue Apartments LLC			3,863,804	1.11%
Albertsons Inc.			3,747,444	1.07%

The amounts shown above includes the Combined Tax Rolls & the SBE Non-Unitary Tax Roll

Sources:
County Assessor's Office
HdL, Coren & Cone

CITY OF HAWAIIAN GARDENS
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

<u>Outstanding General Bonded Debt</u>					
Fiscal Year Ended June 30	Tax Allocation Bonds (1)	Certificates of Participation	Total	Percentage of Personal Income (<i>I</i>)	Debt Per Capita (<i>I</i>)
2000	37,266,644	4,745,000	42,011,644	N/A	N/A
2001	36,926,644	4,665,000	41,591,644	26%	2,814
2002	36,501,644	4,580,000	41,081,644	27%	2,749
2003	36,056,644	4,490,000	40,546,644	28%	2,680
2004	40,845,000	4,390,000	45,235,000	32%	2,962
2005	40,350,000	4,285,000	44,635,000	33%	2,903
2006	39,530,000	4,170,000	43,700,000	35%	2,858
2007	51,635,000		51,635,000	41%	3,348
2008	48,315,000		48,315,000	39%	3,162
2009	45,975,000		45,975,000	37%	2,892

(*I*) These ratios are calculated using personal income and population for the prior calendar year.

N/A- Information was not available.

Notes: Details regarding the City's outstanding debt can be found in the Notes the Financial Statements.

CITY OF HAWAIIAN GARDENS
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value*	Per Capita
	Tax Allocation Bonds (1)	Certificates of Participation	Total		
2000	37,266,644	4,745,000	42,011,644	12.03%	N/A
2001	36,926,644	4,665,000	41,591,644	11.60%	2,814
2002	36,501,644	4,580,000	41,081,644	10.85%	2,749
2003	36,056,644	4,490,000	40,546,644	10.12%	2,680
2004	40,845,000	4,390,000	45,235,000	10.33%	2,962
2005	40,350,000	4,285,000	44,635,000	9.30%	2,903
2006	39,530,000	4,170,000	43,700,000	7.86%	2,858
2007	51,635,000		51,635,000	8.26%	3,348
2008	48,315,000		48,315,000	6.93%	3,162
2009	45,975,000		45,975,000	6.42%	2,892

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds. The City currently does not have general bonded debt in either fund.

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

N/A- Information was not available.

CITY OF HAWAIIAN GARDENS
Direct and Overlapping Debt Schedule
As of June 30, 2009

Overlapping Debt:	Debt Outstanding	Percent Applicable to City	Estimated Share of Overlapping Debt
Metropolitan Water District	\$ 137,096,151	0.006%	\$ 8,080
Cerritos CC DS 2004 Series A	4,135,000	1.963%	81,181
Cerritos CC DS 2005 Refunding Bonds	23,730,994	1.963%	465,900
Cerritos CC DS 2004 Series 2006	85,645,000	1.963%	1,681,429
ABC Unified School District 2003 Refunding Bonds	16,670,000	5.981%	996,961
ABC Unified School District 1997 Series B	35,119,966	5.981%	2,100,374
Total overlapping debt:			5,333,925
City of Hawaiian Gardens direct debt at 6/30/09			45,975,000
Total direct and overlapping debt			<u>\$ 51,308,925</u>

Notes:

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: HDL Coren and Cone

CITY OF HAWAIIAN GARDENS
 Legal Debt Margin Information
 Last Ten Fiscal Years

	Fiscal Year				
	2009	2008	2007	2006	2005
Debt Limit	\$ 26,873,372	\$ 26,154,528	\$ 23,492,613	\$ 21,000,865	\$ 17,999,645
Total net debt applicable to limit	-	-	-	-	-
Legal Debt Margin	26,873,372	26,154,528	23,492,613	21,000,865	17,999,645
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$716,623,255
Debt limit (3.75% of assessed value)	<u>26,873,372</u>
Debt applicable to limit:	
General Obligation Bonds	-
Legal debt margin	\$26,873,372

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

Source: County Tax Assessor's Office
 City Finance Department

Fiscal Year				
2004	2003	2002	2001	2000
\$ 16,419,724	\$ 15,029,613	\$ 14,204,650	\$ 13,441,236	\$ 13,091,793
-	-	-	-	-
16,419,724	15,029,613	14,204,650	13,441,236	13,091,793
0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF HAWAIIAN GARDENS
Demographic and Economic Statistics
Last Nine Calendar Years

Calendar Year	Population (1)	Personal Income In Millions (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2000	14,779	158,549	10,728	5.40%
2001	14,943	152,747	10,222	5.70%
2002	15,127	146,974	9,716	6.80%
2003	15,270	140,637	9,210	7.00%
2004	15,373	133,807	8,704	6.50%
2005	15,398	126,202	8,196	5.30%
2006	15,422	126,399	8,196	4.70%
2007	15,279	125,227	8,196	6.40%
2008	15,900	125,227	8,196	10.64%

- Sources: (1) California Department of Finance
(2) U.S. Department of Commerce - Bureau of Economic Analysis
(Data shown is for the Los Angeles County - There is a 2-year lag)
(3) State Department of Employment Development Dept.
(Data shown is for the Los Angeles County)

CITY OF HAWAIIAN GARDENS
Principal Employers
Current Year and Three Years Ago

Employer	2009		2005	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Hawaiian Gardens Card Club	1,000	13.3333%	1,170	17.33%
Tri-City Medical Center	350	4.6667%	660	9.78%
City of Hawaiian Gardens	81	1.0800%	81	1.20%
Total Building Care, Inc	70	0.9333%	49	0.73%
Cypress Garden Villas	70	0.9333%		
Howard Contracting Inc	50	0.6667%		
Richmond Plastering Inc	50	0.6667%		
Patchman Inc	45	0.6000%		
ABC Unified School District	40	0.5333%		
Outdoor Living Products, Inc	40	0.5333%		
Food 4 Less			65	0.96%
Top Valu Market			55	0.81%
McDonald's			43	0.64%
99 Cents Store			40	0.59%
Sav On Drugs Store			38	0.56%
Jack in the Box			31	0.46%

Source: Community Development Department

The principal employer information prior to 2005 is not available.

CITY OF HAWAIIAN GARDENS
 Full-time and Part-time City Employees
 by Function
 Last Six Fiscal Years

Function	2009	2008	2007	2006	2005	2004
General Government	16	15	18	19	19	19
Public Safety	6	6	6	6	6	6
Public Works	8	8	6	11	11	11
Culture and Receptions	36	35	36	30	30	30
Highways and Streets	6	6	6	6	6	6
Urban Development	9	9	7	9	9	9
Total	81	79	81	79	81	81

Source: City of Hawaiian Gardens Finance Department

Full-time and part-time employee information was not available for years prior to 2004.

CITY OF HAWAIIAN GARDENS
 Operating Indicators by Function
 Last Five Fiscal Year

	Fiscal Year				
	2009	2008	2007	2006	2005
Police:					
Physical arrests	584	686	486	527	577
Parking violations	2,647	2,885	258	2,028	627
Traffic violations	1,791	1,837	1,750	1,087	1,466
Highways and streets:					
Street resurfacing (miles)	1	1	2	1	4
Potholes repaired	86	72	89	78	85
Human Service-Senior Citizens Program:					
Class and Activities:	193	195	191	190	185
Number of Participants	38,107	38,200	34,206	32,396	37,114
Excursions	34	35	32	27	30
Number of Participants	1,375	1,400	1,214	969	1,431
Special Events	20	21	21	21	22
Number of Participants	3,022	2,910	2,234	1,917	2,406
Human Services-Transportation:					
Number of Passengers	31,004	31,356	31,027	28,148	33,546
Mileage	76,289	77,770	76,083	75,570	74,741
Human Services-Recreation:					
Class and Activities:	186	182	178	180	167
Number of Participants	80,434	79,565	77,094	78,016	58,386
Special Events	22	22	21	21	18
Number of Participants	14,699	15,010	11,430	11,005	14,362
Number of Facility Rentals	21	23	18	26	21

Source: City of Hawaiian Gardens Sheriff/Community Development/Community Services

Operating indicator information was not available for years prior to 2004.

CITY OF HAWAIIAN GARDENS
 Capital Asset Statistics by Function
 Last Five Fiscal Years

<u>Function</u>	Fiscal Year				
	2009	2008	2007	2006	2005
Public safety:					
Vehicles	3	3	3	3	3
Public works:					
Vehicles	31	31	28	29	28
Highways and streets:					
Streets (miles)	16	16	16	16	16
Traffic Signals	15	15	15	15	15
Culture and recreations:					
Vehicles	2	2	2	2	3
Parks acreage	13	13	13	13	13
Parks	3	3	3	3	3
Swimming pools	1	1	1	1	1
Community centers	1	1	1	1	1
Health and welfare:					
Vehicles	5	5	6	6	4

Source: City of Hawaiian Gardens various departments.

The City of Hawaiian Gardens has elected to show only five years of data for this schedule.