

CITY OF HAWAIIAN GARDENS, CALIFORNIA

Comprehensive Annual Financial Report

For The Year Ended June 30, 2010

**Prepared by:
David D. Sung
Finance Director/Treasurer**

CITY OF HAWAIIAN GARDENS
Comprehensive Annual Financial Report
June 30, 2010

Table of Contents

	<i>Page(s)</i>
Introductory Section:	
Transmittal Letter	i
List of Elected and Appointed Officials	v
Organization Chart	vi
GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
Financial Section:	
Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Notes to the Financial Statements	23
Required Supplementary Information (Unaudited):	
Budgetary Comparison Schedule - General Fund	50
Budgetary Comparison Schedule - Community Development Block Grant Special Revenue Fund ..	51
Budgetary Comparison Schedule - Low and Moderate Income Housing Special Revenue Fund	52
Notes to Required Supplementary Information	53
OPEB Schedule of Funding Progress	54
Supplementary Information:	
Nonmajor Funds:	
Description of Nonmajor Governmental Funds	57
Combining Balance Sheet	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	60

CITY OF HAWAIIAN GARDENS
Comprehensive Annual Financial Report
June 30, 2010

Table of Contents (Continued)

	<i>Page(s)</i>
Supplementary Information (Continued):	
Nonmajor Special Revenue Funds – Budgetary Comparison Schedules:	
State Gas Tax Special Revenue Fund	62
Local Transportation Special Revenue Fund.....	63
Air Quality Management District Special Revenue Fund.....	64
Proposition C Local Transit Assistance Special Revenue Fund	65
Proposition A Local Transit Assistance Special Revenue Fund.....	66
Community Oriented Police Services (COPS) Special Revenue Fund.....	67
Housing Authority Special Revenue Fund	68
Lighting and Landscaping Special Revenue Fund.....	69
 Statistical Section (Unaudited):	
Net Assets by Component	74
Changes in Net Assets	76
Fund Balances of Governmental Funds	78
Changes in Fund Balances of Governmental Funds.....	80
Assessed Value and Estimated Value of Taxable Property	82
Direct and Overlapping Property Tax Rates	84
Principal Property Tax Payers	86
Property Tax Levies and Collections	87
License Fee (Casino) and Collections	88
Ratios of Outstanding Debt by Type	89
Ratio of Net General Bonded Debt Outstanding.....	90
Direct and Overlapping Debt Schedule	91
Legal Debt Margin Information	92
Demographic and Economic Statistics	94
Principal Employers	95
Full-Time and Part-Time Employees	96
Operating Indicators by Function.....	98
Capital Asset Statistics by Function/Program	100

INTRODUCTORY SECTION

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CITY OF HAWAIIAN GARDENS

December 28, 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, 2010.

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, 2010, 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, 2010, 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 auditor to report not only on the fair presentation of the financial statements, but also on the 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.

Members of the City Council and Residents of the City of Hawaiian Gardens:
December 28, 2010

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 the 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 Hawaiian Gardens

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 achieved through trust 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 in which the City operates.

Local economy. The decline of the national and state economies has had a financial effect on the City. The City's major revenue base is the license fee of the Hawaiian Gardens Casino; it was anticipated that this revenue would decline during the fiscal year. The casino license fee did decrease by 6.61% compared to the previous year. Following is a summary which shows each month's license fee revenue compared to the prior year.

Hawaiian Gardens Casino					
License Fee Revenue					
	FY 2008/09		FY 2009/10		Change
July	\$	1,203,411	\$	1,154,168	-4.09%
August		1,180,113		1,119,658	-5.12%
September		1,108,496		1,066,845	-3.76%
October		1,165,644		1,119,242	-3.98%
November		1,126,168		1,032,840	-8.29%
December		1,120,127		1,090,725	-2.62%
January		1,129,041		1,076,668	-4.64%
February		1,053,710		1,015,912	-3.59%
March		1,226,388		1,085,659	-11.48%
April		1,164,921		1,053,468	-9.57%
May		1,183,167		1,049,412	-11.30%
June		1,092,879		973,597	-10.91%
Total	\$	13,754,065	\$	12,838,194	-6.61%

In anticipation of the decline in casino license fee revenue, the City approved only those capital projects which were fully funded. All programs of the Human Services Department have been maintained at the same level as the previous year.

Long-term financial planning. 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 \$12,900,000. This reserve is to be set aside in yearly increments of \$950,000 until the total amount has been set aside. This reserve is currently \$6,400,000.

During fiscal year 2009-10, the State required the Redevelopment Agency to pay \$2,446,383 to the Supplemental Educational Revenue Augmentation Fund (SERAF). The funding for this payment was an advance from the Low and Moderate Income

Members of the City Council and Residents of the City of Hawaiian Gardens:
December 28, 2010

Housing Fund to the Redevelopment Agency Capital Projects Fund. This advance must be repaid to the Low and Moderate Income Housing Fund by June 30, 2015. The repayment will be funded from future tax increment revenues which will result in a reduced amount of money that is available for redevelopment projects.

The City projects that revenues will stabilize at the current level, which is a reduced level of funding from what has been available in prior years. In anticipation of this, over the past two years the City has been reducing operating expenses while maintaining the level of service provided. In addition, capital projects will be limited to those which are paid for by state or federal grants.

Major Initiatives. The City is in the early stages of a project that will enhance the quality of life for the residents of the City. The project is to create a sports complex for City residents by improving and enhancing the fields at Fedde Middle School. During fiscal year 2009-10, the City entered into an agreement with the ABC Unified School District to build this sports complex on school property. This complex will serve as one of the City's parks and will consist of a synthetic turf field, a rubberized surface track with stadium seating and a scoreboard, a natural grass soccer field, natural grass baseball/softball fields with scoreboards, repaved basketball and volleyball courts, a concession stand, restrooms, a playground, and two parking lots.

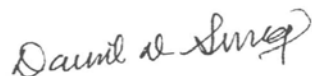
The City has secured \$3 million of outside funding for this project in the form of donations and grants. The estimated cost to the City for this project is \$3.8 million in the first phase. While additional phases were considered for this project, only this first phase (as previously described) has been approved. In future years, the City will determine whether additional phases of the Sports Complex are feasible.

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, 2009. 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, 2010

Elected Officials

Mayor
Mayor Pro Tem
Councilmember
Councilmember
Councilmember

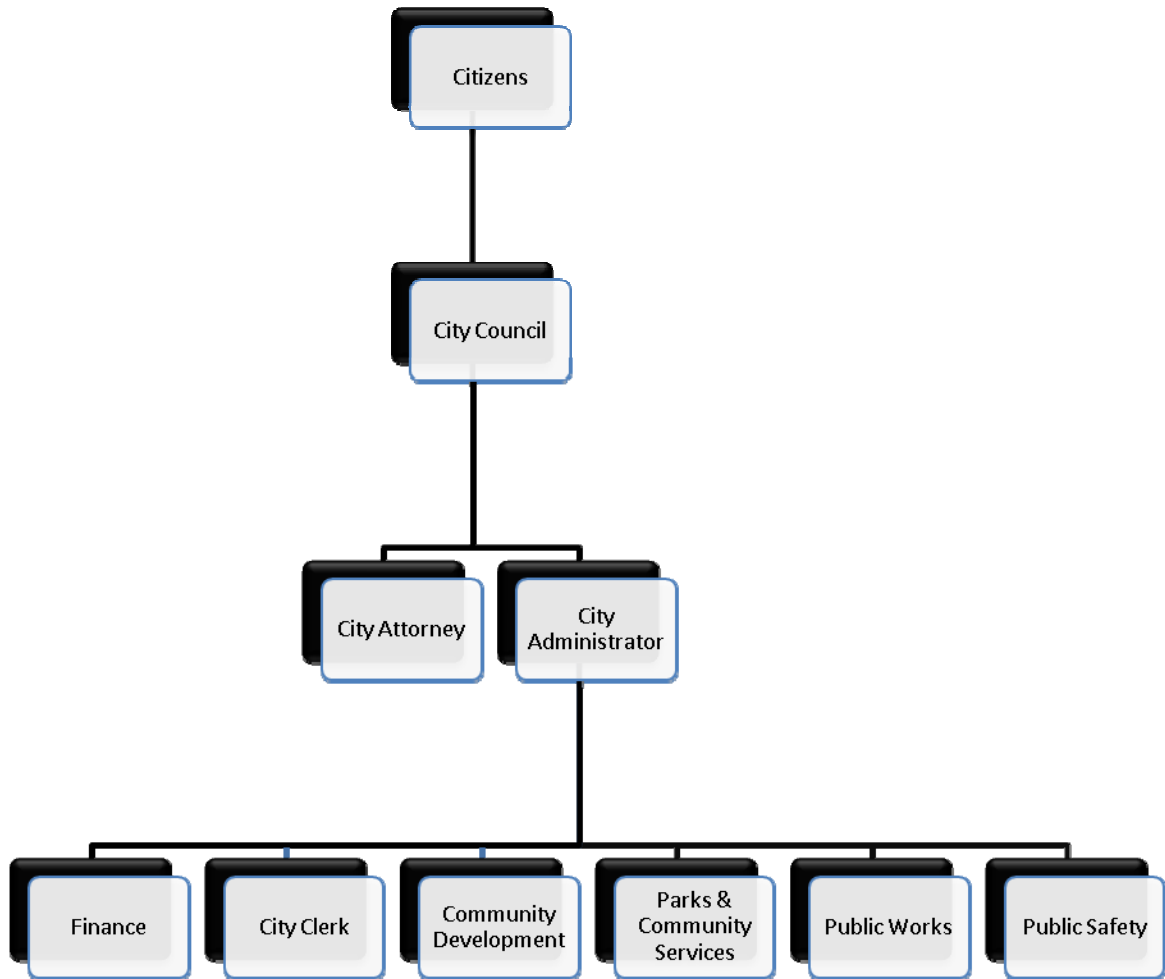
Victor A. Farfan
Michiko Oyama-Canada
Barry Bruce
Reynaldo Rodriguez
Michael Gomez

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
Omar Sandoval
Joe Vasquez

CITY OF HAWAIIAN GARDENS
Organization Chart
June 30, 2010



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, 2009

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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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, 2010, 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 the 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 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 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

Macias Jini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

December 28, 2010

CITY OF HAWAIIAN GARDENS
MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2010

The following discussion and analysis of the financial performance of the City of Hawaiian Gardens provides an overview of the City’s financial activities for the fiscal year ended June 30, 2010. 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 \$23,261,691.
- The City’s total net assets increased by \$3,163,587 over last years’ totals.
- At the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$27,869,083.

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 basic 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 provides 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. However, you will need to consider other non-financial factors, 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 reconciliations which immediately follow the governmental funds' financial statements.

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

CITY OF HAWAIIAN GARDENS
Statement of Net Assets
June 30, 2010 and 2009

	Governmental Activities		
	2010	2009	Change
Current and other assets	\$ 31,446,960	\$ 29,733,471	\$ 1,713,489
Capital assets, net of depreciation	37,530,890	38,381,789	(850,899)
Total Assets	68,977,850	68,115,260	862,590
Long-term debt outstanding	44,296,843	46,489,609	2,192,766
Other liabilities	1,419,316	1,762,087	342,771
Total Liabilities	45,716,159	48,251,696	2,535,537
Net assets:			
Invested in capital assets, net of del	(3,524,365)	(4,507,696)	(1,691,414)
Restricted	7,835,302	6,937,550	691,785
Unrestricted	18,950,754	17,433,710	4,397,756
Total Net Assets	\$ 23,261,691	\$ 19,863,564	\$ 3,398,127

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 that is reported as part of Business License Tax. 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 Activities
June 30, 2010 and 2009

	Governmental Activities		
	2010	2009	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 1,029,787	\$ 1,698,174	\$ (668,387)
Operating grants and contributions	3,982,760	3,651,069	331,691
Capital contributions and grants	627,892	529,850	98,042
General Revenues:			
Property taxes	6,405,122	7,113,669	(708,547)
Business license tax	13,372,929	14,117,458	(744,529)
Motor vehicle in lieu, unrestricted	1,339,490	1,454,009	(114,519)
Other general revenues	1,229,340	1,624,344	(395,004)
Total Revenues	<u>27,987,320</u>	<u>30,188,573</u>	<u>(2,201,253)</u>
Expenses:			
General government	10,072,928	8,743,259	1,329,669
Public safety	3,552,391	3,575,518	(23,127)
Public works	1,764,726	1,821,252	(56,526)
Highways and streets	1,830,911	2,759,782	(928,871)
Culture and recreation	3,491,850	3,899,959	(408,109)
Urban development	624,566	821,009	(196,443)
Health and welfare	1,277,996	1,255,981	22,015
Interest and fiscal charges	2,208,365	2,324,079	(115,714)
Total Expenses	<u>24,823,733</u>	<u>25,200,839</u>	<u>(377,106)</u>
Increase in net assets	3,163,587	4,987,734	(1,824,147)
Net assets at beginning of year, as restated	<u>20,098,104</u>	<u>15,110,370</u>	<u>4,987,734</u>
Net assets at end of year	<u><u>\$ 23,261,691</u></u>	<u><u>\$ 20,098,104</u></u>	<u><u>\$ 3,163,587</u></u>

Governmental Activities

Revenues for the City's governmental activities decreased 7.3 percent (\$2.2 million), from \$30,188,573 in 2009 to \$27,987,320 in 2010. Total governmental activity expenses decreased 1.5 percent (\$0.4 million), from \$25,200,839 in 2009 to \$24,823,733 in 2010. The reasons for significant changes in the revenues and expenses of the City's governmental activities are as follows:

- Charges for Services decreased by \$670,000. In the prior year, the City had a one-time insurance refund revenue of \$350,000. Additionally, there has been less building activity occurring in the City, and building and development-related fees are lower than in the prior year.
- Property Tax Revenue decreased by \$709,000 as a result of lower property assessed valuations.
- Business License Revenue decreased by \$745,000 due to a decrease in casino revenue.
- General Government expenditures increased by \$1.3 million. The increase is due to the Redevelopment Agency's required payment of \$2,446,000 to the Supplemental Educational Revenue Augmentation Fund (SERAF) in FY 2009-10; there was no SERAF payment due in the prior year. This \$2,446,000 increase was offset by a) \$571,000 lower payments for statutory pass-through to Los Angeles County, school districts, and other government agencies and b) a reduction of \$323,000 for the City's contribution to the refuse hauler.
- Highways and Streets expenditures decreased by \$929,000. Several of the prior year's projects were funded by stimulus grants which were no longer available for FY 2009-10. The decrease is due to overall reductions in the highways and streets maintenance and upgrade program and effective cost control.
- Culture and Recreation expenditures decreased by \$408,000. The decrease is due to overall budget reductions and effective cost control.

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 \$21,034,418, an increase of \$4,472,063 over the prior year's balance of \$16,562,355. As a measure of the general fund's liquidity, it is useful to compare the total fund balance to total fund expenditures, which comparison shows that fund balance is 155 percent of the general fund's expenditures.

Total general fund expenditures this year were \$3.25 million less than the prior year, and total general fund revenues this year were \$1.3 million less than the prior year. Significant changes in the City's General Fund revenues and expenditures are as follows:

- Charges for services decreased by \$498,000. The main reasons for the decrease are a one-time insurance refund revenue of \$350,000 in the prior year and a reduction in development-related fees as a result of less building activity.
- License and permit revenues decreased by \$840,000 due to decreased casino revenue.
- General government expenditures decreased by \$397,000. The most significant reason for the decrease is that in the prior year, the City contributed \$375,000 to the refuse hauler to keep trash rates from rising; in the current year, the City's contribution to the refuse hauler was only \$52,000.
- Culture and recreation expenditures decreased by \$353,000. The decrease is due to overall budget reductions and effective cost control.
- Capital outlay expenditures decreased by \$2.78 million. In fiscal year 2008-09, the City finished the majority of work on several projects including the construction of a new library and improving the downtown façade and related commercial rehabilitation. Those projects had only minimal costs in FY 2009-10.

The **Community Development Block Grant** fund has a fund balance of \$0. The revenues and expenditures were \$500,000 lower than the prior year. During 2009-10, the CDBG fund spent \$375,000 less on street projects and \$145,000 less on other urban development than was spent in the prior year.

The **Low and Moderate Income Housing** fund has a total fund balance of \$6,925,098. The change in fund balance was \$1,036,679, an increase to last year's ending balance of \$5,888,419. The revenue comes primarily from the twenty percent (20%) of the property tax increment revenue collected each year. The total revenue this year was \$1,284,000, which was \$211,000 less than last year. The expenditures this year were \$247,757, of which \$203,159 was for debt service.

The **Debt Service** fund has a total fund balance of \$875,490, 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 \$1,638,997, down from \$2,514,487 last year. The revenue comes from property tax collected each year. The expenditures are primarily used to service debts. The City retired an additional \$1,115,000 of the 2006 Tax Allocation Bonds with surplus property tax revenue collected this year.

The **Redevelopment Agency** capital project fund has a fund deficit of (\$1,670,160). The net decrease in fund balance was \$2,241,816, from the \$571,656 balance last year. The revenue this year was \$65,816 which is comparable to last year's \$62,171. The expenditures were \$3,933,413, which was \$1,880,589 higher than last year. The increase is due to the required \$2,446,000 Supplemental Educational Revenue Augmentation Fund (SERAF) payment.

GENERAL FUND BUDGET

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

- Foundation contributions – Budget \$1,000; Received \$504,800 = \$503,800 received in excess of the budget. There was a one time contribution from a local foundation of \$500,000.
- Charges for services – Budget \$58,100; Received \$344,766 = \$286,666 received in excess of the budget. During the year, the City began to receive progress payments on a building permit application that is valued at \$350,000.
- Capital outlay – Budget \$10,172,903; Expended \$908,362 = \$9,264,541 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's actual total expenditures were less than the final budgeted appropriations. The variance between actual total expenditures and the final appropriation was \$10,618,442, or 43.9%. The most significant variation between budgeted and actual expenditures occurred in the capital project expenditures. As previously explained, capital projects often take several years to complete; capital projects not completed in fiscal year 2010 were carried forward to fiscal year 2011.

The total General Fund revenue budget was \$17,022,071 with actual receipts of \$17,606,410, and the expenditure budget was \$24,210,365 with actual expenditures of \$13,591,923. The actual revenue and expenditure activity resulted in a positive variance with the budget of \$13,845,357, which had the effect of raising the City's liquidity and ability to provide future government services.

CITY OF HAWAIIAN GARDENS

Capital Assets

As of June 30, 2010 and 2009 (net
of accumulated depreciation)

	Governmental Activities	
	2010	2009
Buildings and improvements	\$ 11,925,734	\$ 8,896,976
Furniture and equipment	270,080	274,944
Vehicles	636,628	635,815
Infrastructure – road system	9,254,894	10,108,555
Rights-of-way	3,290,005	3,290,005
Land	5,445,294	5,445,294
Construction in progress	6,708,255	9,730,200
Total	<u>\$ 37,530,890</u>	<u>\$ 38,381,789</u>

There was one major reduction to construction in progress and a corresponding addition to Buildings and Improvements capital assets during the year ended June 30, 2010. This was the Library and Public Safety Center with a cost of \$3.3 million.

Additional information on the City’s capital assets can be found in the note titled, “Capital Assets,” in the notes to the financial statement.

LONG-TERM DEBT

As of June 30, 2010, the City had total long-term liabilities outstanding of \$44.3 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
Capital Assets
As of June 30, 2010 and 2009 (net
of accumulated depreciation)**

	Governmental Activities	
	2010	2009
Compensated Absences	\$ 566,843	\$ 514,609
1999 Tax Allocation Bonds	2,945,000	3,580,000
2004 Tax Allocation Bonds	33,875,000	34,045,000
2006 Tax Allocation Bonds	6,910,000	8,350,000
Total	\$ 44,296,843	\$ 46,489,609

The City’s total long-term liabilities decreased by \$2.2 million, or 4.72%, during the current fiscal year. The City’s 1999 Tax Allocation Bonds are rated A-. The 2004 Tax Allocation Bonds are insured and rated A-. The 2006 Tax Allocation Bonds are not rated.

The State Constitution limits the amount of general obligation debt a City may incur to be 25% of its total assessed valuation, which for the City of Hawaiian Gardens, was \$165 million at June 30, 2010. As indicated earlier, the City has no general obligation debt outstanding.

Additional information on the City’s long-term debt can be found in Note 6 - Long-Term Liabilities.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The decline of the national and state economies is beginning to have a financial effect on the City. General Fund revenues declined only slightly this past fiscal year, but the decline included revenues such as property tax and casino license revenues, which had not shown a decline prior to this year.

During 2009-10, the City entered into an agreement with the ABC Unified School District for the construction of a sports complex which will be built on school property. The agreement is included in the City's budget, and the City will pay for approximately \$3.8 million of the construction costs. This project will significantly reduce the General Fund's 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.

BASIC FINANCIAL STATEMENTS

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CITY OF HAWAIIAN GARDENS
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 18,594,068
Restricted assets:	
Cash and investments	501,045
Cash and investments held by fiscal agent	7,347,176
Receivables:	
Accounts	1,007,310
Interest	22,140
Notes	65,054
Loans	868,007
Due from other governments	975,544
Prepaid items	4,846
Property held for resale	2,061,770
Capital assets, not being depreciated	15,443,554
Capital assets, net of depreciation	<u>22,087,336</u>
Total assets	<u>68,977,850</u>
Liabilities:	
Accounts payable	627,229
Accrued liabilities	145,094
Interest payable	180,079
Deposits payable	23,230
Unearned revenue	443,684
Noncurrent liabilities:	
Due within one year	1,365,000
Due in more than one year	<u>42,931,843</u>
Total liabilities	<u>45,716,159</u>
Net Assets:	
Invested in capital assets, net of related debt	(3,524,365)
Restricted for:	
Public safety	103,292
Public works	354,059
Highways and streets	46,719
Urban development	7,088,365
Health and welfare	242,867
Unrestricted	<u>18,950,754</u>
Total net assets	<u><u>\$ 23,261,691</u></u>

See Accompanying Notes to Financial Statements.

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CITY OF HAWAIIAN GARDENS
Statement of Activities
For the Year Ended June 30, 2010

		Program Revenues			Net (Expense)
	Expenses	Charges for	Operating	Capital	Revenue
Functions/Programs:		Services	Grants and	Grants and	and Change
			Contributions	Contributions	in Net Assets
					Total
					Governmental
					Activities
Governmental activities:					
General government	\$ 10,072,928	\$ 8,416	\$ -	\$ -	\$ (10,064,512)
Public safety	3,552,391	98,194	188,484	-	(3,265,713)
Public works	1,764,726	623,352	-	-	(1,141,374)
Highways and streets	1,830,911	-	1,377,661	-	(453,250)
Culture and recreation	3,491,850	104,572	479,243	627,892	(2,280,143)
Urban development	624,566	-	930,946	-	306,380
Health and welfare	1,277,996	195,253	1,006,426	-	(76,317)
Interest and fiscal charges	2,208,365	-	-	-	(2,208,365)
	\$ 24,823,733	\$ 1,029,787	\$ 3,982,760	\$ 627,892	(19,183,294)
Total primary government					
General revenues:					
Taxes:					
					6,405,122
					13,372,929
					42,661
					182,528
					25,303
					625,572
					1,339,490
					288,510
					64,766
					22,346,881
					3,163,587
					20,098,104
					\$ 23,261,691

See Accompanying Notes to Financial Statements.

CITY OF HAWAIIAN GARDENS
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>Special Revenue</u>	
		<u>Community Development Block Grant</u>	<u>Low and Moderate Income Housing</u>
Assets:			
Cash and investments	\$ 15,603,564	\$ -	\$ 2,131,427
Restricted assets:			
Cash and investments	501,045	-	-
Cash and investments held by fiscal agent	-	-	1,046,536
Receivables:			
Accounts	1,002,473	-	-
Interest	9,174	-	-
Notes	-	-	25,500
Loans	-	868,007	-
Due from other governments	166,744	435,630	-
Due from other funds	510,134	-	-
Prepaid items	-	-	-
Advance to other funds	5,685,769	-	2,446,383
Property held for resale	-	-	1,275,252
	<u>\$ 23,478,903</u>	<u>\$ 1,303,637</u>	<u>\$ 6,925,098</u>
Liabilities and fund balances:			
Liabilities:			
Accounts payable	\$ 424,310	\$ 109,828	\$ -
Accrued liabilities	105,858	4,838	-
Deposits payable	-	-	-
Due to other funds	-	320,964	-
Deferred revenue	1,914,317	868,007	-
Advances from other funds	-	-	-
	<u>2,444,485</u>	<u>1,303,637</u>	<u>-</u>
Fund balances:			
Reserved	<u>5,685,769</u>	<u>-</u>	<u>6,925,098</u>
Unreserved:			
Designated	12,920,780	-	-
Undesignated reported in:			
General fund	2,427,869	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
	<u>15,348,649</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>21,034,418</u>	<u>-</u>	<u>6,925,098</u>
Total liabilities and fund balances	<u>\$ 23,478,903</u>	<u>\$ 1,303,637</u>	<u>\$ 6,925,098</u>

See Accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Redevelopment Agency	Redevelopment Agency		
\$ -	\$ -	\$ 859,077	\$ 18,594,068
-	-	-	501,045
6,300,640	-	-	7,347,176
-	337	4,500	1,007,310
-	12,966	-	22,140
-	39,554	-	65,054
-	-	-	868,007
260,619	-	112,551	975,544
-	-	-	510,134
-	-	4,846	4,846
-	-	-	8,132,152
-	786,518	-	2,061,770
<u>\$ 6,561,259</u>	<u>\$ 839,375</u>	<u>\$ 980,974</u>	<u>\$ 40,089,246</u>
\$ -	\$ 26,698	\$ 66,393	\$ 627,229
-	13,224	21,174	145,094
-	23,230	-	23,230
-	-	189,170	510,134
-	-	-	2,782,324
5,685,769	2,446,383	-	8,132,152
<u>5,685,769</u>	<u>2,509,535</u>	<u>276,737</u>	<u>12,220,163</u>
875,490	826,072	4,846	14,317,275
-	-	-	12,920,780
-	-	-	2,427,869
-	-	699,391	699,391
-	(2,496,232)	-	(2,496,232)
-	(2,496,232)	699,391	13,551,808
875,490	(1,670,160)	704,237	27,869,083
<u>\$ 6,561,259</u>	<u>\$ 839,375</u>	<u>\$ 980,974</u>	<u>\$ 40,089,246</u>

CITY OF HAWAIIAN GARDENS
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Fund balances for governmental funds	\$	27,869,083
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.		37,530,890
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.		(44,296,843)
Interest on long-term debt liabilities are not due and payable in the current period and therefore are not reported in the funds.		(180,079)
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.		2,338,640
Net assets of governmental activities	\$	23,261,691

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, 2010

	<u>General</u>	<u>Special Revenue</u>	
		<u>Community Development Block Grant</u>	<u>Low and Moderate Income Housing</u>
Revenues:			
Taxes	\$ 2,047,154	\$ -	\$ 1,268,859
Licenses and permits	13,685,819	-	-
Intergovernmental	693,296	884,302	-
Foundation contributions	504,800	-	-
Charges for services	344,766	-	-
Fines and penalties	96,944	-	-
Rental income	65,434	-	-
Investment income	84,732	-	15,577
Other revenues	83,465	-	-
Total revenues	<u>17,606,410</u>	<u>884,302</u>	<u>1,284,436</u>
Expenditures:			
Current:			
General government	4,788,929	32,994	44,598
Public safety	3,449,856	-	-
Public works	1,271,446	-	-
Highways and streets	-	-	-
Culture and recreation	3,173,330	-	-
Urban development	-	472,905	-
Health and welfare	-	-	-
Capital outlay	908,362	385,733	-
Debt service:			
Principal	-	-	3,277
Interest	-	-	199,882
Total expenditures	<u>13,591,923</u>	<u>891,632</u>	<u>247,757</u>
Excess (deficiency) of revenues over expenditures	<u>4,014,487</u>	<u>(7,330)</u>	<u>1,036,679</u>
Other financing sources (uses):			
Transfers in	1,023,906	7,330	-
Transfers out	(566,330)	-	-
Total other financing sources (uses)	<u>457,576</u>	<u>7,330</u>	<u>-</u>
Net change in fund balances	4,472,063	-	1,036,679
Fund balances, beginning of year, as restated	<u>16,562,355</u>	<u>-</u>	<u>5,888,419</u>
Fund balances (deficits), end of year	<u>\$ 21,034,418</u>	<u>\$ -</u>	<u>\$ 6,925,098</u>

See Accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Redevelopment Agency	Redevelopment Agency		
\$ 5,075,436	\$ -	\$ 1,072,626	\$ 9,464,075
-	-	-	13,685,819
-	-	1,928,377	3,505,975
-	-	-	504,800
-	-	-	344,766
-	-	-	96,944
-	65,816	-	131,250
51,228	-	4,791	156,328
-	-	336	83,801
<u>5,126,664</u>	<u>65,816</u>	<u>3,006,130</u>	<u>27,973,758</u>
368,556	3,781,752	-	9,016,829
-	-	100,000	3,549,856
-	-	286,278	1,557,724
-	-	1,257,060	1,257,060
-	-	-	3,173,330
-	151,661	-	624,566
-	-	1,269,548	1,269,548
-	-	-	1,294,095
2,241,723	-	-	2,245,000
2,529,601	-	-	2,729,483
<u>5,139,880</u>	<u>3,933,413</u>	<u>2,912,886</u>	<u>26,717,491</u>
<u>(13,216)</u>	<u>(3,867,597)</u>	<u>93,244</u>	<u>1,256,267</u>
-	1,625,781	559,000	3,216,017
<u>(1,625,781)</u>	<u>-</u>	<u>(1,023,906)</u>	<u>(3,216,017)</u>
<u>(1,625,781)</u>	<u>1,625,781</u>	<u>(464,906)</u>	<u>-</u>
(1,638,997)	(2,241,816)	(371,662)	1,256,267
2,514,487	571,656	1,075,899	26,612,816
<u>\$ 875,490</u>	<u>\$ (1,670,160)</u>	<u>\$ 704,237</u>	<u>\$ 27,869,083</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, 2010

Net change in fund balances - total governmental funds \$ 1,256,267

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. Also, the disposition of capital assets (net book value) is deducted from the sale of capital assets. This is the amount by which capital outlay exceeded depreciation and write off of net book value of assets disposed of in the current period.

Capital outlay (capitalizable portion)	\$ 423,701	
Depreciation expense	(1,243,825)	
Loss on disposal	<u>(30,775)</u>	(850,899)

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	\$ 2,245,000	
Compensated absences, net	<u>(52,234)</u>	2,192,766

Interest on a long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. 9,483

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. 555,970

Change in net assets of governmental activities \$ 3,163,587

See Accompanying Notes to Financial Statements.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements
Year Ended June 30, 2010

(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, 2010

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.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

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.

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

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

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.

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 Special Revenue 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 Special Revenue 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.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

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.

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.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

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.

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, 2010, 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, 2010 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.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

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

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. Classification of Net Assets:

On the Statement of Net Assets, net assets are classified into three components which are defined as follows:

- **Invested in capital assets, net of related debt** - This component of net assets consists of capital assets including restricted assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, those amounts are included in the calculation of net capital assets.
- **Restricted assets** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

- **Unrestricted net assets** - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

l. Fund Balances

The City maintains a policy of reserving fund balances to segregate fund balances which are not appropriate for expenditures in future periods, or which are legally set aside for a specific future use. The governmental funds also set up designations of fund balances to indicate tentative plans for financial resource utilization in a future period.

m. 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, 2010

b. Expenditures in Excess of Appropriations

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2010:

Fund	Final Budget	Actual	Final Budget Positive (Negative)
Nonmajor Special Revenue Funds:			
Proposition C Local Transit Assistance	\$ 385,860	\$ 393,467	\$ (7,607)
Housing Authority	1,034,511	1,269,548	(235,037)

c. Accumulated Funds Deficits

The following funds had fund deficits at June 30, 2010:

Redevelopment Agency Capital Project Fund	\$ (1,670,160)
Nonmajor Special Revenue Funds:	
Local Transportation Fund	(25,429)
Proposition C Local Transit Assistance Fund	(110,805)
Proposition A Local Transit Assistance Fund	(69,733)

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

(3) CASH AND INVESTMENTS

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 18,594,068
Restricted:	
Cash and investments	501,045
Cash and investments held by fiscal agent	<u>7,347,176</u>
Total cash and investments	<u><u>\$ 26,442,289</u></u>

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

Cash and investments as of June 30, 2010, consist of the following:

Cash on hand	\$	2,379
Deposits with financial institutions		2,974,482
Investments		23,465,428
Total cash and investments	\$	26,442,289

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, 2010

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
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

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 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, 2010

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	\$ 15,115,233	\$ 15,115,233	\$ -
Negotiable certificates of deposit	1,000,626	1,000,626	-
Government reserve			
money market fund	2,393	2,393	-
Held by bond trustee:			
Investment agreement	799,500	-	799,500
Money market funds	6,547,676	6,547,676	-
Total	\$ 23,465,428	\$ 22,665,928	\$ 799,500

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

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	\$ 15,115,233	N/A	\$ -	\$ 15,115,233
Negotiable certificates of deposit	1,000,626	N/A	-	1,000,626
Government reserve				
money market fund	2,393	N/A	2,393	-
Held by bond trustee:				
Investment agreement	799,500	N/A	-	799,500
Money market funds	6,547,676	N/A	6,547,676	-
Total	\$ 23,465,428		\$ 6,550,069	\$ 16,915,359

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, 2010.

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

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

value of 150% of the secured public deposits. As of June 30, 2010, none of the City's deposits with financial institutions were in excess of federal depository insurance limits.

Investment in State Investment Pool

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

The total amount invested in all public agencies in LAIF as of June 30, 2010, was \$23.3 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2010, had a balance of \$69.4 billion, of that amount, 5.42% was invested in medium-term and short-term structured notes and asset backed securities. The average maturity of PMIA investments was 203 days as of June 30, 2010.

(4) INTERFUND RECEIVABLES AND PAYABLES

Current interfund receivables and payables as of June 30, 2010 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	\$ 320,964
	Nonmajor Governmental Funds	189,170
		<u>\$ 510,134</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, 2010 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	\$ 5,685,769 (1)
Low and Moderate	Redevelopment Agency	
Income Housing Fund	Capital Projects Fund	2,446,383 (2)
		<u>\$ 8,132,152</u>

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

- (1) 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, 2010 is 5,685,769.
- (2) In May 2010 Low and Moderate Income Housing Fund advanced to the Redevelopment Agency Capital Projects Fund \$2,446,383 to be paid back by June 30, 2015. This advance was made to provide Redevelopment Agency Capital Projects Fund sufficient funds to make payments to Supplemental Educational Revenue Augmentation Fund (SERAF) to satisfy the required payment to public schools through local redevelopment funds as required by AB26 4X. The amount outstanding at June 30, 2010 is \$2,446,383.

Transfers in and out for the year ended June 30, 2010 were as follows:

<u>Transfer Out</u>	<u>Transfers In</u>	<u>Amount</u>	
General Fund	Nonmajor Governmental Funds	\$ 559,000	(1)
	Community Development Block Grant Special Revenue Fund	7,330	(1)
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	1,625,781	(2)
Nonmajor Governmental Fund	General Fund	1,023,906	(3)
		<u>\$ 3,216,017</u>	

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

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

(5) CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2010:

Government Activities	Balance at July 1, 2009	Additions	Deletions	Balance at July 1, 2010
Capital assets, not being depreciated:				
Rights-of-way	\$ 3,290,005	\$ -	\$ -	\$ 3,290,005
Land	5,445,294	-	-	5,445,294
Construction in progress	9,730,200	289,166	(3,311,111)	6,708,255
Total capital assets not being depreciated	<u>18,465,499</u>	<u>289,166</u>	<u>(3,311,111)</u>	<u>15,443,554</u>
Capital assets being depreciated:				
Buildings and improvements	12,827,583	3,311,111	-	16,138,694
Furniture and equipment	519,865	28,488	-	548,353
Vehicles	959,621	66,292	(72,478)	953,435
Infrastructure - road system	23,275,956	39,755	-	23,315,711
Total capital assets being depreciated	<u>37,583,025</u>	<u>3,445,646</u>	<u>(72,478)</u>	<u>40,956,193</u>
Less accumulated depreciation:				
Buildings and improvements	(3,930,607)	(282,353)	-	(4,212,960)
Furniture and equipment	(244,921)	(33,352)	-	(278,273)
Vehicles	(323,806)	(34,704)	41,703	(316,807)
Infrastructure - road system	(13,167,401)	(893,416)	-	(14,060,817)
Total accumulated depreciation	<u>(17,666,735)</u>	<u>(1,243,825)</u>	<u>41,703</u>	<u>(18,868,857)</u>
Total capital assets being depreciated, net	<u>19,916,290</u>	<u>2,201,821</u>	<u>(30,775)</u>	<u>22,087,336</u>
Total capital assets, net	<u>\$ 38,381,789</u>	<u>\$ 2,490,987</u>	<u>\$ (3,341,886)</u>	<u>\$ 37,530,890</u>

Depreciation expense was charged in the following functions in the Statement of Activities for the year ended June 30, 2010:

General government	\$ 1,003,863
Public safety	2,535
Public works	18,475
Culture and recreation	210,504
Health and welfare	8,448
	<u>\$ 1,243,825</u>

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

(6) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010	Due Within One Year
1999 Tax Allocation					
Refunding Bonds	\$ 3,580,000	\$ -	\$ 635,000	\$ 2,945,000	\$ 675,000
2004 Tax Allocation					
Revenue Bonds	34,045,000	-	170,000	33,875,000	170,000
2006 Tax Allocation					
Revenue Bonds	8,350,000	-	1,440,000	6,910,000	295,000
Compensated Absences	514,609	276,968	224,734	566,843	225,000
	<u>\$ 46,489,609</u>	<u>\$ 276,968</u>	<u>\$ 2,469,734</u>	<u>\$ 44,296,843</u>	<u>\$ 1,365,000</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 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, 2010 the reserve was \$799,500. At June 30, 2010 bonds outstanding on the 1999 Refunding Bonds were \$2,945,000.

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 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").

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

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 2010, the fully refunded reserve was \$1,875,245. At June 30, 2010, bonds outstanding on the 2004 Revenue bonds were \$33,875,000.

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.

At June 30, 2010, bonds outstanding on the 2006 Tax Allocation Bonds were \$6,910,000.

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

Minimum annual requirements to amortize long-term debt of the City as of June 30, 2010 are as follows:

Year Ending June 30,	Tax Allocation Refunding Bonds		Tax Allocation Revenue Bonds		2006 Tax Allocation Revenue Bonds		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
	2011	\$ 675,000	\$ 156,450	\$ 170,000	\$ 1,646,739	\$ 295,000	
2012	715,000	114,750	175,000	1,641,127	310,000	316,188	3,272,065
2013	755,000	70,650	185,000	1,634,595	320,000	302,013	3,267,258
2014	800,000	24,000	195,000	1,627,227	335,000	287,275	3,268,502
2015	-	-	1,050,000	1,599,702	350,000	271,425	3,271,127
2016-2020	-	-	5,985,000	7,243,424	2,025,000	1,079,469	16,332,893
2021-2025	-	-	7,500,000	5,623,141	2,625,000	508,625	16,256,766
2026-2030	-	-	9,330,000	3,528,421	650,000	16,250	13,524,671
2031-2034	-	-	9,285,000	956,875	-	-	10,241,875
Totals	\$ 2,945,000	\$ 365,850	\$ 33,875,000	\$ 25,501,251	\$ 6,910,000	\$ 3,110,308	\$ 72,707,409

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, 2010, total interest and principal remaining on the 1999 Tax Allocation Bonds was \$3,310,850 through fiscal year ending June 30, 2014. At June 30, 2010, total interest and principal remaining on the 2004 Tax Allocation Bonds was \$59,376,251 through fiscal year ending June 30, 2034. At June 30, 2010 total interest and principal remaining on the 2006 Tax Allocation Bonds was \$10,020,308 through fiscal year ending June 30, 2026. Pledged tax increment revenue recognized during the year was \$5,309,976 against the total debt service payment of \$4,462,849. 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, 2010, the following outstanding certificates are considered defeased:

2000 Certificates of Participation	\$3,610,000
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CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

(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 payroll. The annual required contribution (ARC) for the period July 1, 2009, to June 30, 2010, has been determined by an actuarial valuation of the plan as of June 30, 2007. The City's covered payroll for PERS was \$4,074,255 for the year ended June 30, 2010, while the City's total payroll for all employees was \$4,695,225 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2010, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2009 to June 30, 2010.

Three-Year Trend Information

Annual Pension Cost

<u>Fiscal Year</u>	<u>Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
6/30/2008	18.02%	\$ 628,739	100%
6/30/2009	18.64%	690,880	100%
6/30/2010	18.71%	762,130	100%

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

(8) OTHER POST EMPLOYMENT BENEFITS

Plan Description:

The City provides postretirement health care benefits through the CalPERS healthcare program (PEMHCA), a single-employer postemployment benefit plan, 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. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

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 by 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 \$569,000 for the fiscal year ended June 30, 2010. 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 City 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, 2010

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

(9) FUND BALANCES

Fund Balances at June 30, 2010 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	\$ -	\$ -	\$ 1,046,536	\$ -	\$ -	\$ -	\$ 1,046,536
Notes receivables	-	-	25,500	-	39,554	-	65,054
Prepaid items	-	-	-	-	-	4,846	4,846
Advances to other funds	5,685,769	-	2,446,383	-	-	-	8,132,152
Property held for resale	-	-	1,275,252	-	786,518	-	2,061,770
Low income housing	-	-	2,131,427	-	-	-	2,131,427
Debt service	-	-	-	875,490	-	-	875,490
Subtotal	<u>5,685,769</u>	<u>-</u>	<u>6,925,098</u>	<u>875,490</u>	<u>826,072</u>	<u>4,846</u>	<u>14,317,275</u>
Unreserved:							
Designated for:							
Contingencies	6,400,000	-	-	-	-	-	6,400,000
Capital projects	515,139	-	-	-	-	-	515,139
Freddie Sports Complex	6,005,641	-	-	-	-	-	6,005,641
Undesignated reported in							
General fund	2,427,869	-	-	-	-	-	2,427,869
Special revenue funds	-	-	-	-	-	699,391	699,391
Capital projects funds	-	-	-	-	(2,496,232)	-	(2,496,232)
Total fund balances	<u>\$ 21,034,418</u>	<u>\$ -</u>	<u>\$ 6,925,098</u>	<u>\$ 875,490</u>	<u>\$ (1,670,160)</u>	<u>\$ 704,237</u>	<u>\$ 27,869,083</u>

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

(10) LIABILITY, PROPERTY AND WORKERS COMPENSATION PROTECTION

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

The City of Hawaiian Gardens is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 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 lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-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 allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) Costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

Workers' Compensation The City of Hawaiian Gardens also participates in the workers' 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 open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,000

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

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; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

c. Purchased Insurance

Property Insurance *The City of Hawaiian Gardens participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Hawaiian Gardens property is currently insured according to a schedule of covered property submitted by the City of Hawaiian Gardens to the Authority. The City of Hawaiian Gardens currently has all-risk property insurance protection in the amount of \$17,180,499. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.*

Earthquake and Flood Insurance *The 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. City of Hawaiian Gardens property currently has earthquake protection in the amount of \$15,166,503. There is a deductible of 5% per unit 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 of Hawaiian Gardens purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is arranged by the Authority. Premiums are paid annually and are not subject to retroactive adjustments.*

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

CITY OF HAWAIIAN GARDENS
Notes to the Financial Statements (Continued)
Year Ended June 30, 2010

(11) RESTATEMENT OF FUND BALANCE AND NET ASSETS

Redevelopment Agency Debt Service Fund

Fund balance as of June 30, 2009, as originally reported	\$ 2,279,947
Correct property tax revenues that were understated in prior years	<u>234,540</u>
Fund balance as of June 30, 2009, as restated	<u><u>\$ 2,514,487</u></u>

This restatement was necessary to correct property tax revenues that were understated in prior years.

Governmental Activities-Net Assets

Net assets as of June 30, 2009, as originally reported	\$ 19,863,564
Correct property tax revenues that were understated in prior years	<u>234,540</u>
Net assets as of June 30, 2009, as restated	<u><u>\$ 20,098,104</u></u>

This restatement was necessary to correct property tax revenues that were understated in prior years.

(12) SUBSEQUENT EVENT

As a result of mediation, the Agency exercised its right under a Disposition and Developer Agreement dated September 27, 2005, to reacquire property from a developer. The Agency reached a settlement with the developer on November 3, 2010, to repurchase the property for \$1,713,793. On November 9, 2010, the City loaned the Agency \$1,713,793 to fund the repurchase of the property.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 2,111,471	\$ 2,111,471	\$ 2,047,154	\$ (64,317)
Licenses and permits	13,780,800	13,780,800	13,685,819	(94,981)
Intergovernmental	67,000	746,000	693,296	(52,704)
Foundation contributions	1,000	1,000	504,800	503,800
Charges for services	58,100	58,100	344,766	286,666
Fines and penalties	164,200	164,200	96,944	(67,256)
Rental income	47,700	47,700	65,434	17,734
Investment income	103,000	103,000	84,732	(18,268)
Other revenues	9,800	9,800	83,465	73,665
Total revenues	<u>16,343,071</u>	<u>17,022,071</u>	<u>17,606,410</u>	<u>584,339</u>
Expenditures:				
Current:				
General government	5,288,242	5,203,526	4,788,929	414,597
Public safety	3,817,148	3,820,257	3,449,856	370,401
Public works	1,378,169	1,381,589	1,271,446	110,143
Culture and recreation	3,406,244	3,632,090	3,173,330	458,760
Capital outlay	9,561,903	10,172,903	908,362	9,264,541
Total Expenditures	<u>23,451,706</u>	<u>24,210,365</u>	<u>13,591,923</u>	<u>10,618,442</u>
Excess of revenues over (under) expenditures	<u>(7,108,635)</u>	<u>(7,188,294)</u>	<u>4,014,487</u>	<u>11,202,781</u>
Other financing sources (uses):				
Transfer in	-	-	1,023,906	1,023,906
Transfer out	<u>(2,185,000)</u>	<u>(2,185,000)</u>	<u>(566,330)</u>	<u>1,618,670</u>
Total other financing sources (uses)	<u>(2,185,000)</u>	<u>(2,185,000)</u>	<u>457,576</u>	<u>2,642,576</u>
Net change in fund balance	(9,293,635)	(9,373,294)	4,472,063	13,845,357
Fund balance, beginning of year	<u>16,562,355</u>	<u>16,562,355</u>	<u>16,562,355</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,268,720</u>	<u>\$ 7,189,061</u>	<u>\$ 21,034,418</u>	<u>\$ 13,845,357</u>

See Accompanying Notes to Required Supplementary Information.

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 820,824	\$ 820,824	\$ 884,302	\$ 63,478
Expenditures:				
Current:				
General government	35,000	35,000	32,994	2,006
Urban development	557,667	502,586	472,905	29,681
Capital outlay	582,932	900,164	385,733	514,431
Total expenditures	<u>1,175,599</u>	<u>1,437,750</u>	<u>891,632</u>	<u>546,118</u>
(Deficiency) of revenues (under) expenditures	(354,775)	(616,926)	(7,330)	609,596
Other financing sources:				
Transfer in	<u>-</u>	<u>-</u>	<u>7,330</u>	<u>7,330</u>
Net change in fund balance	(354,775)	(616,926)	-	616,926
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (354,775)</u></u>	<u><u>\$ (616,926)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 616,926</u></u>

See Accompanying Notes 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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 1,268,859	\$ 1,268,859
Investment income	-	-	15,577	15,577
Total revenues	<u>-</u>	<u>-</u>	<u>1,284,436</u>	<u>1,284,436</u>
Expenditures:				
Current:				
General government	151,500	151,500	44,598	106,902
Debt service:				
Principal	-	-	3,277	(3,277)
Interest	<u>-</u>	<u>-</u>	<u>199,882</u>	<u>(199,882)</u>
Total expenditures	<u>151,500</u>	<u>151,500</u>	<u>247,757</u>	<u>(96,257)</u>
Net change in fund balance	(151,500)	(151,500)	1,036,679	1,188,179
Fund balance, beginning of year	<u>5,888,419</u>	<u>5,888,419</u>	<u>5,888,419</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,736,919</u>	<u>\$ 5,736,919</u>	<u>\$ 6,925,098</u>	<u>\$ 1,188,179</u>

See Accompanying Notes to Required Supplementary Information.

CITY OF HAWAIIAN GARDENS
Notes to Required Supplementary Information
Year Ended June 30, 2010

(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.

(2) EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following fund reported excess of expenditures over appropriations for the year ended June 30, 2010:

Fund	Final Budget	Actual	Final Budget Positive (Negative)
Low and Moderate Income			
Housing Speical Revenue Fund	\$ 151,500	\$ 247,757	\$ (96,257)

CITY OF HAWAIIAN GARDENS
Required Supplementary Information
OPEB Schedule of Funding Progress
June 30, 2010

<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%

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, 2010

	Special Revenue			
	State Gas Tax	Local Transportation	Air Quality Management District	Proposition C Local Transit Assistance
Assets:				
Cash and investments	\$ 8,165	\$ -	\$ 150,345	\$ -
Accounts receivables	-	-	4,500	-
Due from other governments	66,246	990	8,422	-
Prepaid items	2,423	-	-	-
Total assets	\$ 76,834	\$ 990	\$ 163,267	\$ -
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 26,382	\$ -	\$ -	\$ 2,870
Accrued liabilities	3,733	-	-	5,251
Due to other funds	-	26,419	-	102,684
Total liabilities	30,115	26,419	-	110,805
Fund balances:				
Reserved for prepaid items	2,423	-	-	-
Unreserved:				
Undesignated	44,296	(25,429)	163,267	(110,805)
Total fund balances	46,719	(25,429)	163,267	(110,805)
Total liabilities and fund balances	\$ 76,834	\$ 990	\$ 163,267	\$ -

Proposition A Local Transit Assistance	Special Revenue			Total Nonmajor Governmental Funds
	Community Oriented Police Service	Housing Authority	Lighting and Landscaping	
\$ -	\$ 95,744	\$ 250,154	\$ 354,669	\$ 859,077
-	-	-	-	4,500
-	7,548	-	29,345	112,551
-	-	-	2,423	4,846
<u>\$ -</u>	<u>\$ 103,292</u>	<u>\$ 250,154</u>	<u>\$ 386,437</u>	<u>\$ 980,974</u>
\$ 3,153	\$ -	\$ 3,226	\$ 30,762	\$ 66,393
6,513	-	4,061	1,616	21,174
60,067	-	-	-	189,170
<u>69,733</u>	<u>-</u>	<u>7,287</u>	<u>32,378</u>	<u>276,737</u>
-	-	-	2,423	4,846
<u>(69,733)</u>	<u>103,292</u>	<u>242,867</u>	<u>351,636</u>	<u>699,391</u>
<u>(69,733)</u>	<u>103,292</u>	<u>242,867</u>	<u>354,059</u>	<u>704,237</u>
<u>\$ -</u>	<u>\$ 103,292</u>	<u>\$ 250,154</u>	<u>\$ 386,437</u>	<u>\$ 980,974</u>

CITY OF HAWAIIAN GARDENS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue			
	State Gas Tax	Local Transportation	Air Quality Management District	Proposition C Local Transit Assistance
Revenues:				
Taxes	\$ 428,903	\$ -	\$ 18,127	\$ 167,809
Intergovernmental revenues	529,026	6,881	-	-
Investment income	1,537	-	750	-
Other revenues	-	-	-	-
Total revenues	<u>959,466</u>	<u>6,881</u>	<u>18,877</u>	<u>167,809</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Highway and streets	420,525	-	-	393,467
Health and welfare	-	-	-	-
Total expenditures	<u>420,525</u>	<u>-</u>	<u>-</u>	<u>393,467</u>
Excess (deficiency) of revenues over (under) expenditures	538,941	6,881	18,877	(225,658)
Other financing sources (uses):				
Transfers in	100,000	-	-	178,000
Transfers out	<u>(1,012,941)</u>	<u>(10,965)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(912,941)</u>	<u>(10,965)</u>	<u>-</u>	<u>178,000</u>
Net change in fund balances	(374,000)	(4,084)	18,877	(47,658)
Fund balances (deficits), beginning of year	<u>420,719</u>	<u>(21,345)</u>	<u>144,390</u>	<u>(63,147)</u>
Fund balances (deficits), end of year	<u>\$ 46,719</u>	<u>\$ (25,429)</u>	<u>\$ 163,267</u>	<u>\$ (110,805)</u>

Proposition A Local Transit Assistance	Special Revenue			Total Nonmajor Governmental Funds
	Community Oriented Police Services	Housing Authority	Lighting and Landscaping	
\$ 202,291	\$ -	\$ -	\$ 255,496	\$ 1,072,626
-	188,483	1,203,987	-	1,928,377
-	478	255	1,771	4,791
336	-	-	-	336
<u>202,627</u>	<u>188,961</u>	<u>1,204,242</u>	<u>257,267</u>	<u>3,006,130</u>
-	100,000	-	-	100,000
-	-	-	286,278	286,278
443,068	-	-	-	1,257,060
-	-	1,269,548	-	1,269,548
<u>443,068</u>	<u>100,000</u>	<u>1,269,548</u>	<u>286,278</u>	<u>2,912,886</u>
(240,441)	88,961	(65,306)	(29,011)	93,244
181,000	-	100,000	-	559,000
-	-	-	-	(1,023,906)
<u>181,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>(464,906)</u>
(59,441)	88,961	34,694	(29,011)	(371,662)
<u>(10,292)</u>	<u>14,331</u>	<u>208,173</u>	<u>383,070</u>	<u>1,075,899</u>
<u>\$ (69,733)</u>	<u>\$ 103,292</u>	<u>\$ 242,867</u>	<u>\$ 354,059</u>	<u>\$ 704,237</u>

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 260,000	\$ 428,903	\$ 168,903
Intergovernmental revenues	847,395	529,026	(318,369)
Investment income	-	1,537	1,537
	1,107,395	959,466	(147,929)
Expenditures:			
Current:			
Highways and streets	493,545	420,525	73,020
Excess (deficiency) of revenues over (under) expenditures	613,850	538,941	(74,909)
Other financing sources (use):			
Transfers in	-	100,000	100,000
Transfers out	-	(1,012,941)	(1,012,941)
Total other financing sources (uses)	-	(912,941)	(912,941)
Net change in fund balance	613,850	(374,000)	(987,850)
Fund balance, beginning of year	420,719	420,719	-
Fund balance, end of year	\$ 1,034,569	\$ 46,719	\$ (987,850)

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Local Transportation Special Revenue Fund
For the Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Intergovernmental revenues	\$ 9,180	\$ 6,881	\$ (2,299)
Other financing sources:			
Transfer in	21,500	-	(21,500)
Transfer out	-	(10,965)	(10,965)
Total other financing sources (uses)	<u>21,500</u>	<u>(10,965)</u>	<u>(32,465)</u>
Net change in fund balance	30,680	(4,084)	(34,764)
Fund balance (deficit), beginning of year	<u>(21,345)</u>	<u>(21,345)</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ 9,335</u></u>	<u><u>\$ (25,429)</u></u>	<u><u>\$ (34,764)</u></u>

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 11,000	\$ 18,127	\$ 7,127
Investment income	-	750	750
	<hr/>	<hr/>	<hr/>
Total revenues	11,000	18,877	7,877
Expenditures:			
Capital outlay	26,000	-	26,000
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(15,000)	18,877	33,877
Fund balance, beginning of year	144,390	144,390	-
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 129,390</u>	<u>\$ 163,267</u>	<u>\$ 33,877</u>

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Proposition C Local Transit Assistance Special Revenue Fund
For the Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 211,086	\$ 167,809	\$ (43,277)
Expenditures:			
Current:			
Highways and streets	385,860	393,467	(7,607)
(Deficiency) of revenues (under) expenditures	(174,774)	(225,658)	(50,884)
Other financing sources:			
Transfer in	242,000	178,000	(64,000)
Net change in fund balance	67,226	(47,658)	(114,884)
Fund balance (deficit), beginning of year	(63,147)	(63,147)	-
Fund balance (deficit), end of year	\$ 4,079	\$ (110,805)	\$ (114,884)

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Proposition A Local Transit Assistance Special Revenue Fund
For the Year Ended June 30, 2010

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 258,656	\$ 202,291	\$ (56,365)
Other revenues	1,000	336	(664)
Total revenues	259,656	202,627	(57,029)
Expenditures:			
Current:			
Highways and streets	498,043	443,068	54,975
(Deficiency) of revenues (under) expenditures	(238,387)	(240,441)	(2,054)
Other financing sources:			
Transfer in	192,000	181,000	(11,000)
Net change in fund balance	(46,387)	(59,441)	(13,054)
Fund balance (deficit), beginning of year	(10,292)	(10,292)	-
Fund balance (deficit), end of year	\$ (56,679)	\$ (69,733)	\$ (13,054)

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Community Oriented Police Services (COPS) Special Revenue Fund
For the Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 102,688	\$ 188,483	\$ 85,795
Investment income	-	478	478
	<hr/>	<hr/>	<hr/>
Total revenues	102,688	188,961	86,273
Expenditures:			
Current:			
Public safety	169,428	100,000	69,428
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(66,740)	88,961	155,701
Fund balance, beginning of year	14,331	14,331	-
	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ (52,409)</u>	<u>\$ 103,292</u>	<u>\$ 155,701</u>

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Housing Authority Special Revenue Fund
For the Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental revenues	\$ 1,131,000	\$ 1,203,987	\$ 72,987
Investment income	-	255	255
	<hr/>	<hr/>	<hr/>
Total revenues	1,131,000	1,204,242	73,242
Expenditures:			
Current:			
Health and welfare	<u>1,034,511</u>	<u>1,269,548</u>	<u>(235,037)</u>
Excess (deficiency) of revenues over (under) expenditures	96,489	(65,306)	(161,795)
Other financing sources:			
Transfer in	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balance	96,489	34,694	(61,795)
Fund balance, beginning of year	<u>208,173</u>	<u>208,173</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 304,662</u></u>	<u><u>\$ 242,867</u></u>	<u><u>\$ (61,795)</u></u>

CITY OF HAWAIIAN GARDENS
Budgetary Comparison Schedule
Lighting and Landscaping Special Revenue Fund
For the Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 245,627	\$ 255,496	\$ 9,869
Investment income	-	1,771	1,771
	<hr/>	<hr/>	<hr/>
Total revenues	245,627	257,267	11,640
Expenditures:			
Current:			
Public works	<hr/> 304,476	<hr/> 286,278	<hr/> 18,198
Net change in fund balance	(58,849)	(29,011)	29,838
Fund balance, beginning of year	<hr/> 383,070	<hr/> 383,070	<hr/> -
Fund balance, end of year	<u><u>\$ 324,221</u></u>	<u><u>\$ 354,059</u></u>	<u><u>\$ 29,838</u></u>

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STATISTICAL SECTION

CITY OF HAWAIIAN GARDENS
Statistical Section (Unaudited)
For the Year Ended June 30, 2010

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.	74
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.	82
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.	87
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.	92
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.	94

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

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

	Fiscal Year		
	2010	2009	2008
Governmental activities:			
Invested in capital assets, net of related debt	\$ (3,524,365)	\$ (4,507,696)	\$ (3,492,729)
Restricted	7,835,302	6,937,550	5,707,857
Unrestricted	18,950,754	17,433,710	13,124,836
Total governmental activities net assets	<u>\$ 23,261,691</u>	<u>\$ 19,863,564</u>	<u>\$ 15,339,964</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.

Fiscal Year			
2007	2006	2005	2004
\$ (6,487,493)	\$ (8,112,953)	\$ (8,382,519)	\$ (10,738,130)
4,395,094	3,241,677	2,492,902	1,980,322
12,401,215	11,473,212	8,208,447	9,893,035
<u>\$ 10,308,816</u>	<u>\$ 6,601,936</u>	<u>\$ 2,318,830</u>	<u>\$ 1,135,227</u>

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

	Fiscal Year		
	2010	2009	2008
Expenses:			
Governmental activities			
General Government	\$ 10,072,928	\$ 8,743,259	\$ 6,376,603
Public Safety	3,552,391	3,575,518	2,973,856
Public Works	1,764,726	1,821,252	1,891,194
Highways and Streets	1,830,911	2,759,782	3,042,425
Culture and Recreations	3,491,850	3,899,959	3,867,286
Urban Development	624,566	821,009	996,756
Health and Welfare	1,277,996	1,255,981	1,061,060
Interest and fiscal charges	2,208,365	2,324,079	2,470,165
Total governmental activities expense	<u>\$ 24,823,733</u>	<u>\$ 25,200,839</u>	<u>\$ 22,679,345</u>
Program revenues:			
Government activities:			
Charges for services:			
General government	\$ 8,416	\$ 350,998	\$ 135,651
Public Safety	98,194	208,209	986,372
Public Works	623,352	889,034	299,565
Culture and Recreations	104,572	120,450	94,197
Health and Welfare	195,253	129,483	105,486
Operating grants and contributions	3,982,760	3,651,069	2,562,089
Capital grants and contributions	627,892	529,850	499,736
Total governmental activities program revenues	<u>\$ 5,640,439</u>	<u>\$ 5,879,093</u>	<u>\$ 4,683,096</u>
General revenues and other changes in net assets:			
Governmental activities			
Taxes:			
Property taxes	6,405,122	6,960,788	6,106,660
Business license taxes	13,372,929	14,117,458	13,252,065
Sales taxes	625,572	705,319	694,394
Franchise taxes	182,528	181,547	153,861
Other taxes	67,964	31,514	52,189
Motor vehicle in lieu, unrestricted	1,339,490	1,454,009	1,426,058
Investment income	288,510	617,954	1,153,044
Other general revenues	64,766	88,010	189,126
Total governmental activities	<u>\$ 22,346,881</u>	<u>\$ 24,156,599</u>	<u>\$ 23,027,397</u>
Change in Net Assets	<u>\$ 3,163,587</u>	<u>\$ 4,834,853</u>	<u>\$ 5,031,148</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.

Fiscal Year			
2007	2006	2005	2004
\$ 6,062,061	\$ 6,577,405	\$ 5,762,647	\$ 4,518,330
3,076,208	2,478,149	2,748,910	2,184,435
1,564,133	1,384,822	1,308,662	1,250,952
2,114,683	2,577,800	2,240,664	938,543
4,007,930	3,136,595	2,489,541	2,042,629
822,744	1,037,822	1,382,237	876,822
926,553	975,746	976,007	1,034,321
3,411,036	2,339,139	2,359,155	4,969,273
<u>\$ 21,985,348</u>	<u>\$ 20,507,478</u>	<u>\$ 19,267,823</u>	<u>\$ 17,815,305</u>
\$ 102,814	\$ 96,878	\$ 100,849	\$ 74,480
568,487	658,938	461,542	446,443
281,424	269,998	288,899	265,319
313,776	577,301	523,941	518,272
104,680	109,180	4,974	699
3,266,016	2,931,450	2,525,149	2,279,547
83,129	506,710		
<u>\$ 4,720,326</u>	<u>\$ 5,150,455</u>	<u>\$ 3,905,354</u>	<u>\$ 3,584,760</u>
5,841,469	5,337,310	4,679,678	4,221,075
11,676,652	10,804,786	9,306,103	7,644,733
690,784	634,205	615,476	540,526
168,341	162,522	155,249	243,083
62,424	73,352	47,780	39,206
1,325,587	1,517,327	1,021,176	761,054
1,237,348	585,675	461,737	402,806
178,407	524,952	258,873	177,809
<u>\$ 21,181,012</u>	<u>\$ 19,640,129</u>	<u>\$ 16,546,072</u>	<u>\$ 14,030,292</u>
<u>\$ 3,915,990</u>	<u>\$ 4,283,106</u>	<u>\$ 1,183,603</u>	<u>\$ (200,253)</u>

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

	Fiscal Year		
	2010	2009	2008
General Fund:			
Reserved	\$ 5,685,769	\$ 3,960,018	\$ 3,316,082
Unreserved	15,348,649	12,602,337	11,122,134
Total General Fund	<u>\$ 21,034,418</u>	<u>\$ 16,562,355</u>	<u>\$ 14,438,216</u>
All other Governmental Funds:			
Reserved	\$ 8,631,506	\$ 9,024,259	\$ 6,117,920
Unreserved, reported in:			
Special Revenue Funds	699,391	1,071,053	5,322,579
Capital Projects Funds	(2,496,232)	(279,391)	(81,077)
Total All other Governmental Funds	<u>\$ 6,834,665</u>	<u>\$ 9,815,921</u>	<u>\$ 11,359,422</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.

Fiscal Year			
2007	2006	2005	2004
\$ 3,753,111	\$ 2,766,990	\$ 1,260,252	\$ 1,896,311
9,742,260	7,917,405	5,787,267	4,023,686
<u>\$ 13,495,371</u>	<u>\$ 10,684,395</u>	<u>\$ 7,047,519</u>	<u>\$ 5,919,997</u>
\$ 12,958,711	\$ 6,102,532	\$ 6,310,926	\$ 9,077,676
4,344,677	3,193,682	2,372,878	1,738,165
(52,096)	-	-	2,333,389
<u>\$ 17,251,292</u>	<u>\$ 9,296,214</u>	<u>\$ 8,683,804</u>	<u>\$ 13,149,230</u>

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

	Fiscal Year		
	2010	2009	2008
Revenues:			
Taxes	\$ 9,464,075	\$ 10,265,584	\$ 8,071,962
Licenses and Permits	13,685,819	14,526,268	14,257,240
Intergovernmental	3,505,975	2,877,183	3,305,467
Foundation Contributions	504,800	529,850	499,250
Charges for Services	344,766	843,071	103,602
Fines and penalties	96,944	183,713	159,332
Rental Income	131,250	109,186	145,003
Investment Income	156,328	502,948	1,153,044
Other Revenue	83,801	143,299	232,753
Gain on sale of agency property	-	-	-
Total Revenues	\$ 27,973,758	\$ 29,981,102	\$ 27,927,653
Expenditures:			
Current:			
General Government	\$ 9,016,829	\$ 7,723,707	\$ 5,371,729
Public Safety	3,549,856	3,572,983	2,960,771
Public Works	1,557,724	1,306,535	1,275,918
Highways and Streets	1,257,060	1,323,897	1,242,829
Culture and Recreations	3,173,330	3,525,838	3,419,025
Urban Development	624,566	820,063	1,250,831
Health and Welfare	1,269,548	1,247,533	1,050,616
Capital Outlay	1,294,095	4,451,112	10,182,424
Debt Service:			
Principal	2,245,000	2,340,000	3,320,000
Interest	2,729,483	2,777,543	2,802,535
Payment to bond escrow agent	-	-	-
Cost of issuance	-	-	-
Bond premiums and discounts	-	-	-
Total Expenditures	\$ 26,717,491	\$ 29,089,211	\$ 32,876,678
Excess (deficiency) of Revenues over (under) Expenditures	\$ 1,256,267	\$ 891,891	\$ (4,949,025)
Other Financing Sources (uses):			
Transfers in	3,216,017	3,092,410	6,957,342
Transfers out	(3,216,017)	(3,092,410)	(6,957,342)
Sale of Property	-	-	-
Issuance of Long-Term Debt	-	-	-
Payment to Bond Escrow Agent	-	-	-
Bond Premium	-	-	-
Total other Financing Sources (uses)	-	-	-
Net Change in Fund Balances	\$ 1,256,267	\$ 891,891	\$ (4,949,025)
Debt Service as a Percentage of Noncapital Expenditures	23.33%	26.22%	36.95%

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

Fiscal Year			
2007	2006	2005	2004
\$ 7,842,778	\$ 7,084,914	\$ 6,354,896	\$ 5,748,930
12,280,520	11,490,064	9,824,414	8,225,915
3,768,272	3,704,233	2,816,312	2,333,356
83,150	506,710	5,940	5,670
87,900	90,381	79,748	49,764
168,314	176,779	130,773	117,367
141,426	1,005,169	977,859	996,605
1,237,348	585,785	473,692	402,806
341,491	466,147	247,392	197,056
-	140,002	-	-
<u>\$ 25,951,199</u>	<u>\$ 25,250,184</u>	<u>\$ 20,911,026</u>	<u>\$ 18,077,469</u>

\$ 4,935,292	\$ 4,718,045	\$ 4,730,487	\$ 3,823,732
3,073,673	2,475,614	2,731,411	2,181,900
1,207,237	1,204,851	1,237,449	1,013,922
1,660,678	2,220,587	5,970,605	938,543
3,126,003	2,726,177	2,381,893	1,983,416
1,050,126	1,673,136	1,382,237	876,822
916,166	969,686	967,713	1,029,550
3,228,704	1,822,340	1,318,204	1,181,960
705,000	630,000	600,000	570,000
2,784,104	2,801,435	2,928,931	3,219,163
759,204	-	-	2,789,912
389,237	-	-	1,138,239
-	-	-	102,644
<u>\$ 23,835,424</u>	<u>\$ 21,241,871</u>	<u>\$ 24,248,930</u>	<u>\$ 20,849,803</u>

\$ 2,115,775	\$ 4,008,313	\$ (3,337,904)	\$ (2,772,334)
11,527,855	2,136,556	1,861,413	4,298,522
(11,527,855)	(2,136,556)	(1,861,413)	(4,298,522)
98,888	240,973	-	-
12,505,000	-	-	34,530,000
(3,934,042)	-	-	(27,329,462)
189,543	-	-	-
<u>8,859,389</u>	<u>240,973</u>	<u>-</u>	<u>7,200,538</u>
<u>\$ 10,975,164</u>	<u>\$ 4,249,286</u>	<u>\$ (3,337,904)</u>	<u>\$ 4,428,204</u>

21.85%

21.46%

18.19%

31.98%

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
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%
2010	639,059,726	22,703,802	(29,000,152)	632,763,376	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

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

	00/01	01/02	02/03	03/04
Basic Levy (1)	1.00000	1.00000	1.00000	1.00000
Abc Unified School District	0.02567	0.02496	0.02779	0.02490
Cerritos Community College District	0.00000	0.00000	0.00000	0.00000
County Detentions Facility 1987 Debt	0.00131	0.00113	0.00103	0.00099
LA County Flood Control	0.00155	0.00107	0.00088	0.00046
Long Beach Community College District	0.00000	0.00000	0.00000	0.01171
Long Beach Unified School District	0.01596	0.02878	0.03519	0.04285
Metropolitan Water District	0.00880	0.00770	0.00670	0.00610
Total Direct and Overlapping Tax Rates	\$ 1.05329	\$ 1.06364	\$ 1.07159	\$ 1.08701
City's Share of 1% Levy Per Prop 13 (2)	0.05602	0.05602	0.05602	0.05602
Redevelopment Rate (3)	1.00167	1.00990	1.00861	1.00755
Total Direct Rate (4)	0.87325	0.86100	0.87139	0.88208

(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: HdI, Coren & Cone

<u>04/05</u>	<u>05/06</u>	<u>06/07</u>	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.02657	0.02745	0.02427	0.02434	0.02388	0.02695
0.01908	0.02424	0.02392	0.01071	0.00994	0.01854
0.00092	0.00080	0.00066	0.00000	0.00000	0.00000
0.00025	0.00005	0.00005	0.00000	0.00000	0.00000
0.01239	0.01857	0.01153	0.01839	0.02181	0.02392
0.04667	0.04075	0.03811	0.03457	0.03220	0.08663
0.00580	0.00520	0.00470	0.00450	0.00430	0.00430
<u>\$ 1.11168</u>	<u>\$ 1.11706</u>	<u>\$ 1.10324</u>	<u>\$ 1.09251</u>	<u>\$ 1.09213</u>	<u>\$ 1.16034</u>
0.05602	0.05602	0.05602	0.05602	0.05602	0.05602
1.00697	1.00604	1.00541	1.00450	1.00430	1.00430
0.89231	0.91096	0.92027	0.92833	0.9302	0.92373

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

Taxpayer	2010		2001	
	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	\$ 21,456,590	3.24%	\$ 16,607,111	4.63%
Irving I Moskowitz Foundation	17,045,666	2.58%	-	
ESS PRISA III Owner LLC	15,593,975	2.36%	-	
Urdang and Cadence Hawaiian Gardens LLC	14,580,350	2.20%	-	
Colton HAWAIIAN Gardens LLC	10,203,928	1.54%	-	
Wong Investment Management	9,764,740	1.48%	-	
Hawaiian Gardens Square	9,575,539	1.45%	5,282,820	1.47%
Whelan Investments NC	8,759,134	1.32%	5,619,050	1.57%
DV Properties	8,512,383	1.29%	-	
John E and Linda M Frankin Trust	8,134,536	1.23%	-	
JJJ Enterprises Limited			7,178,000	2.00%
Norwalk Carson Associates LLC			6,900,000	1.93%
Hawaiian Gardens Apartments			5,710,797	1.59%
Susa Partnership Limited Partnership			5,616,295	1.57%
AU Zone Investment No. 2 Limited Partnership			4,238,705	1.18%
Bloomfield Avenue Apartments LLC			3,940,579	1.10%
Gardens Regional Hospital and Medical			3,410,000	0.95%

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
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2001	\$3,130,787	\$2,999,952	95.82%	\$191,993	\$3,191,945	101.95%
2002	3,346,964	3,230,670	96.53%	270,115	3,500,785	104.60%
2003	3,701,941	3,663,753	98.97%	250,617	3,914,370	105.74%
2004	4,017,233	3,927,253	97.76%	290,230	4,217,483	104.98%
2005	4,321,601	4,217,492	97.59%	597,135	4,814,627	111.41%
2006	5,600,231	5,249,349	93.73%	350,882	5,600,231	100.00%
2007	6,247,897	6,038,110	96.64%	209,787	6,247,897	100.00%
2008	6,974,541	6,360,735	91.20%	278,499	6,639,234	95.19%
2009	7,090,207	6,784,066	95.68%	306,141	7,090,207	100.00%
2010	6,405,122	6,112,627	95.43%	292,495	6,405,122	100.00%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies. In addition, amounts included supplemental revenue, reductions for taxpayer refunds and revenue from prior years.

Source: HDL Coren & Cone

CITY OF HAWAIIAN GARDENS

License Fee (Casino) and Collections

Last Seven Fiscal Years

Fiscal Year Ended June 30	Total Casino Fee	Collected within the Fiscal Year of Revenue		Collections in Subsequent Years	Collections to Date	
		Amount	Percent of Fee		Amount	Percent of Fee
2004	7,644,733	6,959,333	91.03%	685,400	7,644,733	100.00%
2005	9,287,686	8,466,578	91.16%	821,108	9,287,686	100.00%
2006	10,804,786	9,906,815	91.69%	897,971	10,804,786	100.00%
2007	11,676,652	10,703,744	91.67%	972,908	11,676,652	100.00%
2008	13,252,065	12,104,703	91.34%	1,147,362	13,252,065	100.00%
2009	13,754,068	12,661,189	92.05%	1,092,879	13,754,068	100.00%
2010	12,838,324	11,864,727	92.42%	973,597	12,838,324	100.00%

NOTE:

The amounts presented include City revenues from casino license fee. All of the revenues are collected from the Genden Casino.

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

Source: HDL Coren & Cone

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

Outstanding General Bonded Debt					
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>)
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
2010	43,730,000		43,730,000	23%	2,763

(*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 to 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		
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
2010	43,730,000		43,730,000	6.91%	2,763

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, 2010

Overlapping Debt:	<u>Debt Outstanding</u>	<u>Percent Applicable to City</u>	<u>Estimated Share of Overlapping Debt</u>
Metropolitan Water District	\$ 121,475,156	0.006%	\$ 7,289
Cerritos CC DS 2004 Series A	3,595,000	1.880%	67,586
Cerritos CC DS 2005 Refunding Bonds	22,875,994	1.880%	430,069
Cerritos CC DS 2004 Series 2006	30,645,000	1.880%	576,126
Cerritos CC DS 2004 Series 2009 C	55,000,000	1.880%	1,034,000
ABC Unified School District 2003 Refunding Bonds	26,820,000	5.625%	1,508,625
ABC Unified School District 1997 Series B	30,811,700	5.625%	<u>1,733,158</u>
 Total overlapping debt:			 5,356,853
 City of Hawaiian Gardens direct debt at 6/30/09			 <u>43,730,000</u>
 Total direct and overlapping debt			 <u><u>\$ 49,086,853</u></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			
	2010	2009	2008	2007
Debt Limit	\$23,728,627	\$ 26,873,372	\$ 26,154,528	\$ 23,492,613
Total net debt applicable to limit	-	-	-	-
Legal Debt Margin	23,728,627	26,873,372	26,154,528	23,492,613
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$632,763,376
Debt limit (3.75% of assessed value)	<u>23,728,627</u>
Debt applicable to limit:	
General Obligation Bonds	-
Legal debt margin	\$23,728,627

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					
2006	2005	2004	2003	2002	2001
\$ 21,000,865	\$ 17,999,645	\$ 16,419,724	\$ 15,029,613	\$ 14,204,650	\$ 13,441,236
-	-	-	-	-	-
21,000,865	17,999,645	16,419,724	15,029,613	14,204,650	13,441,236
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Calendar Year	Population (1)	Personal Income In Thousands (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2000	14,779	\$ 161,352	\$ 10,918	5.80%
2001	14,968	164,426	10,985	6.10%
2002	15,288	168,238	11,005	7.20%
2003	15,544	173,068	11,134	7.50%
2004	15,657	178,551	404	7.00%
2005	15,758	183,803	11,664	6.10%
2006	15,788	190,257	12,051	5.40%
2007	15,767	194,056	12,308	5.70%
2008	15,784	195,202	12,367	8.40%
2009	15,825	192,757	12,181	13.00%

Source: HDL Coren and Cone

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

Employer	2010		2006	
	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%
Save On Drug Stores			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 Seven Fiscal Years

Function	2010	2009	2008	2007	2006	2005	2004
General Government	16	16	15	18	19	19	19
Public Safety	6	6	6	6	6	6	6
Public Works	8	8	8	6	11	11	11
Culture and Receptions	36	36	35	36	30	30	30
Highways and Streets	6	6	6	6	6	6	6
Urban Development	9	9	9	7	9	9	9
Total	81	81	79	81	81	81	81

Source: City of Hawaiian Gardens Finance Department

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

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

	Fiscal Year		
	2010	2009	2008
Police:			
Physical arrests	706	584	686
Parking violations	1,918	2,647	2,885
Traffic violations	2,304	1,791	1,837
Highways and streets:			
Street resurfacing (miles)	1	1	1
Potholes repaired	72	86	72
Human Service-Senior Citizens Program:			
Class and Activities:	190	193	195
Number of Participants	36,000	38,107	38,200
Excursions	38	34	35
Number of Participants	1,500	1,375	1,400
Special Events	19	20	21
Number of Participants	3,200	3,022	2,910
Human Services-Transportation:			
Number of Passengers	16,390	31,004	31,356
Mileage	63,320	76,289	77,770
Human Services-Recreation:			
Class and Activities:	201	186	182
Number of Participants	85,000	80,434	79,565
Special Events	24	22	22
Number of Participants	27,000	14,699	15,010
Number of Facility Rentals	19	21	23

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

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

Fiscal Year		
2007	2006	2005
486	527	577
258	2,028	627
1,750	1,087	1,466
2	1	4
89	78	85
191	190	185
34,206	32,396	37,114
32	27	30
1,214	969	1,431
21	21	22
2,234	1,917	2,406
31,027	28,148	33,546
76,083	75,570	74,741
178	180	167
77,094	78,016	58,386
21	21	18
11,430	11,005	14,362
18	26	21

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

<u>Function</u>	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Public safety:						
Vehicles	3	3	3	3	3	3
Public works:						
Vehicles	31	31	31	28	29	28
Highways and streets:						
Streets (miles)	16	16	16	16	16	16
Traffic Signals	15	15	15	15	15	15
Culture and recreations:						
Vehicles	2	2	2	2	2	3
Parks acreage	13	13	13	13	13	13
Parks	3	3	3	3	3	3
Swimming pools	1	1	1	1	1	1
Community centers	1	1	1	1	1	1
Health and welfare:						
Vehicles	5	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.