

**CITY OF HAWAIIAN GARDENS, CALIFORNIA**

**Comprehensive Annual Financial Report**

**For The Year Ended June 30, 2011**

**CITY OF HAWAIIAN GARDENS**  
**Comprehensive Annual Financial Report**  
**June 30, 2011**

*Table of Contents*

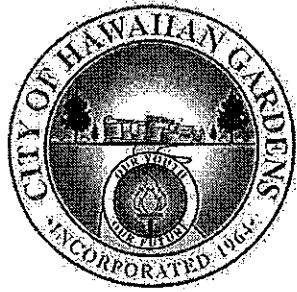
	<i>Page(s)</i>
<b>Introductory Section (Unaudited):</b>	
Transmittal Letter .....	i
List of Elected and Appointed Officials.....	vi
Organization Chart .....	vii
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	viii
<b>Financial Section:</b>	
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis (Unaudited).....	3
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets .....	13
Statement of Activities.....	15
<b>Fund Financial Statements:</b>	
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
<b>Notes to the Basic Financial Statements</b> .....	23
<b>Required Supplementary Information (Unaudited):</b>	
Budgetary Comparison Schedule - General Fund .....	51
Budgetary Comparison Schedule - Low and Moderate Income Housing Special Revenue Fund .....	52
Notes to the Required Supplementary Information.....	53
OPEB Schedule of Funding Progress.....	54
<b>Supplementary Information:</b>	
<b>Nonmajor Funds:</b>	
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, 2011**

*Table of Contents (Continued)*

	<i>Page(s)</i>
<b>Supplementary Information (Continued):</b>	
<b>Nonmajor Special Revenue Funds – Budgetary Comparison Schedules:</b>	
Community Development Block Grant Special Revenue Fund.....	62
State Gas Tax Special Revenue Fund .....	63
Local Transportation Special Revenue Fund.....	64
Air Quality Management District Special Revenue Fund .....	65
Proposition C Local Transit Assistance Special Revenue Fund.....	66
Proposition A Local Transit Assistance Special Revenue Fund.....	67
Community Oriented Police Services (COPS) Special Revenue Fund .....	68
Housing Authority Special Revenue Fund.....	69
Lighting and Landscaping Special Revenue Fund.....	70
<b>Statistical Section (Unaudited):</b>	
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 .....	83
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**



*"Our Youth - Our Future"*

# CITY OF HAWAIIAN GARDENS

---

December 30, 2011

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, 2011.

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, 2011, 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, 2011, 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 30, 2011

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 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

Members of the City Council and Residents of the City of Hawaiian Gardens:  
December 29, 2011

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 4.06% compared to the previous year. Following is a summary which shows each month's license fee revenue compared to the prior year.

<b>Hawaiian Gardens Casino</b>			
<b>License Fee Revenue</b>			
	<b>FY 2009/10</b>	<b>FY 2010/11</b>	<b>Change</b>
July	1,154,168	1,038,878	-9.99%
August	1,119,658	1,021,351	-8.78%
September	1,066,845	961,186	-9.90%
October	1,119,242	977,192	-10.90%
November	1,032,840	980,140	-5.10%
December	1,090,725	1,016,811	-6.78%
January	1,076,668	1,020,390	-5.23%
February	1,015,912	974,422	-4.08%
March	1,085,659	1,119,047	3.08%
April	1,053,468	1,083,221	2.82%
May	1,049,412	1,035,806	-1.30%
June	973,597	1,068,082	9.70%
<b>Total</b>	<b>\$ 12,838,194</b>	<b>\$ 12,316,525</b>	<b>-4.06%</b>

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 \$12,400,000. This reserve is to be set aside in yearly increments of \$1,000,000 until the total amount has been set aside. This reserve is currently \$7,400,000.

During fiscal year 2010-11, the State required the Redevelopment Agency to pay \$503,667 to the Supplemental Educational Revenue Augmentation Fund (SERAF).

Members of the City Council and Residents of the City of Hawaiian Gardens:  
December 29, 2011

Funding for this payment was an advance from the Low and Moderate Income 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. No amount has been repaid and the amount due, including interest, is \$2,950,050 as of June 30, 2011.

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. 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. As of June 30, 2011, the City has received \$1,500,000 for this project and has spent \$2,656,211.

#### Awards and Acknowledgements

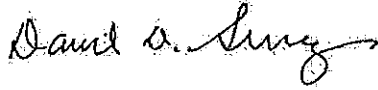
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hawaiian Gardens for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. The Certificate of Achievement 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 unflinching support for maintaining the highest standards of professionalism in the management of the City's finances.



Members of the City Council and Residents of the City of Hawaiian Gardens:  
December 30, 2011

Respectfully submitted,

A handwritten signature in cursive script that reads "David D. Sung". The signature is written in dark ink and is positioned above the printed name.

David D. Sung, Finance Director/Treasurer

CITY OF HAWAIIAN GARDENS  
List of Elected and Appointed Officials  
Fiscal Year Ended June 30, 2011

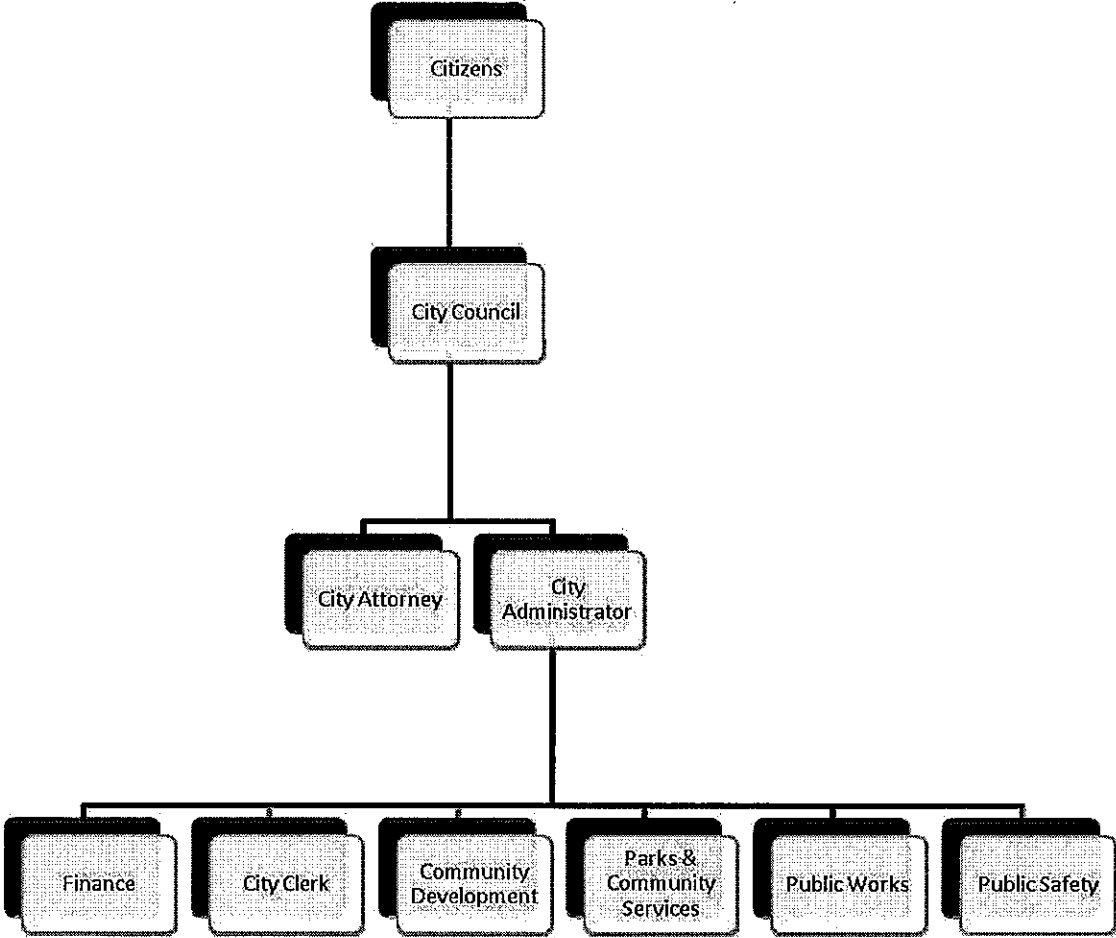
Elected Officials

Mayor	Michael Gomez
Mayor Pro Tem	Michiko Oyama Canada
Councilmember	Barry Bruce
Councilmember	Reynaldo Rodriguez
Councilmember	Victor A. Farfan

Appointed Officials

City Administrator/Executive Director	Ernesto Marquez
City Clerk	Sue Underwood
Finance Director/Treasurer	David D. Sung
Community Development Director	Joseph Colombo
Director of Human Services	Steven J. Gomez
City Attorney	Omar Sandoval
Public Works Superintendent	Joe Vasquez

CITY OF HAWAIIAN GARDENS  
Organization Chart  
June 30, 2011



# 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, 2010

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.



*Linda C. Davison*

President

*Jeffrey R. Emery*

Executive Director

**FINANCIAL SECTION**

**This page left blank intentionally.**



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 (City), as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, effective July 1, 2010, the City adopted the provisions of Governmental Accounting Standards Board Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Note 10 to the financial statements, on June 29, 2011, the California State Legislature enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California (Assembly Bill X1 26) unless certain payments can be made to the State of California (Assembly Bill X1 27). On December 29, 2011, the California Supreme Court (Court) largely upheld the legislation for the dissolution of redevelopment agencies. Furthermore, the Court invalidated Assembly Bill X1 27. Accordingly, the Agency is required to dissolve in fiscal year 2011/12 and the guidelines for dissolution are set forth in the legislation. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, 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. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, budgetary comparison schedules, 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 and budgetary comparison schedules 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*

Newport Beach, California  
December 30, 2011



# CITY OF HAWAIIAN GARDENS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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 \$23,267,915.
- The City's total net assets increased by \$6,224 over last years' totals.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,266,901.

## 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. 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<b>Governmental Activities</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
Current and other assets	\$ 31,147,616	\$ 31,446,960	\$ (299,344)
Capital assets, net of depreciation	36,451,627	37,530,890	\$ (1,079,263)
<b>Total Assets</b>	<b>67,599,243</b>	<b>68,977,850</b>	<b>(1,378,607)</b>
Long-term debt outstanding	43,117,975	44,296,843	1,178,868
Other liabilities	1,213,353	1,419,316	205,963
<b>Total Liabilities</b>	<b>44,331,328</b>	<b>45,716,159</b>	<b>1,384,831</b>
Net assets:			
Invested in capital assets	36,451,627	37,530,890	(1,079,263)
Restricted	8,897,227	7,835,302	1,267,886
Unrestricted	(22,080,939)	(22,104,501)	44,300
<b>Total Net Assets</b>	<b>\$ 23,267,915</b>	<b>\$ 23,261,691</b>	<b>\$ 232,923</b>

*\*Certain reclassifications have been reflected to conform prior year net assets to the current year presentation.*

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:

	<b>Governmental Activities</b>		
	2011	2010	Change
<b>Revenues:</b>			
<b>Program Revenue:</b>			
Charges for services	836,050	1,029,787	(193,737)
Operating grants and contributions	3,445,490	3,982,760	(537,270)
Capital grants and contributions	3,265	627,892	(624,627)
<b>General Revenues:</b>			
Property taxes	5,966,338	6,405,122	(438,784)
Business license tax	12,760,534	13,372,929	(612,395)
Motor vehicle in lieu, unrestricted	1,317,884	1,339,490	(21,606)
Other general revenues	1,398,040	1,229,340	168,700
<b>Total Revenues</b>	<b>25,727,601</b>	<b>27,987,320</b>	<b>(2,259,719)</b>
<b>Expenses:</b>			
General government	8,775,983	10,072,928	(1,296,945)
Public safety	3,443,643	3,552,391	(108,748)
Public works	1,550,686	1,764,726	(214,040)
Highways and streets	1,454,659	1,830,911	(376,252)
Culture and recreation	3,709,136	3,491,850	217,286
Urban development	3,335,270	624,566	2,710,704
Health and welfare	1,324,531	1,277,996	46,535
Interest and fiscal changes	2,127,469	2,208,365	(80,896)
<b>Total Expenses</b>	<b>25,721,377</b>	<b>24,823,733</b>	<b>897,644</b>
Increases in net assets	6,224	3,163,587	(3,157,363)
<b>Net assets at beginning of year</b>	<b>23,261,691</b>	<b>20,098,104</b>	<b>3,163,587</b>
<b>Net assets at end of year</b>	<b>23,267,915</b>	<b>23,261,691</b>	<b>6,224</b>

### Governmental Activities

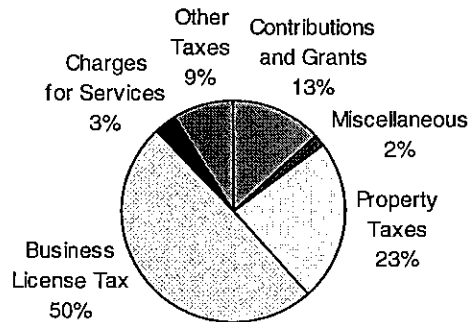
Revenues for the City's governmental activities decreased 8.1 percent (\$2.3 million), from \$27,987,320 in 2010 to \$25,727,601 in 2011. Total governmental activity expenses increased 3.6 percent (\$0.9 million), from \$24,823,733 in 2010 to \$25,721,377 in 2011. The reasons for significant changes in the revenues and expenses of the City's governmental activities are as follows:

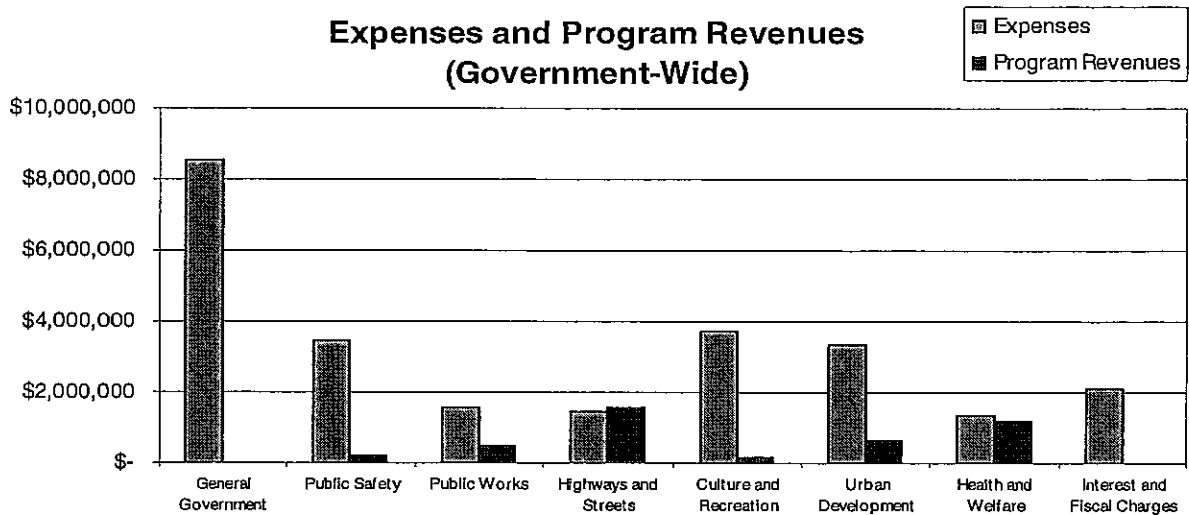
- Operating and Capital Grants and Contributions decreased by \$1.2 million, mainly as a result of receiving a one-time \$500,000 donation in FY 09/10 for the Fedde Sports Complex and receiving less in various grant monies (such as Community Development Block Grant, Safe Route to Schools, and American Reinvestment and Recovery Act grants) in the current year.
- Property Tax Revenue decreased by \$439,000 as a result of lower property assessed valuations.
- Business License Revenue decreased by \$612,000 due to a decrease in casino revenue.

- General Government expenditures decreased by \$1.5 million. The decrease is due to the decreased payment to the Supplemental Educational Revenue Augmentation Fund (SERAF) in FY 2010-11; the Redevelopment Agency was required to make a \$2.4 million payment to SERAF in FY 2009-10 and \$503,667 in FY 2010-11. Also, this decrease was offset somewhat by a reallocation of costs which resulted in moving costs from the redevelopment agency to the City's general government.
- Urban development expenditures increased by \$2.7 million mainly as a result of spending \$2.1 million for the construction of the Fedde Sports Complex.

The following charts illustrate the City's overall expenses and revenues by source. General revenues, such as property taxes and business license tax, are not shown by program, but are used to support program activities citywide. The Business License Tax is the single largest source of funds for the City (50%) followed by Property Taxes (23%). General government is the largest expense function, accounting for 34% of the total. Culture and recreation is the second largest expense function (15% of the total) followed by Public safety (14% of the total) and Urban development (13% of the total).

### Revenues by Source (Government-Wide)





## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### 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 \$20,095,731, a decrease of \$938,687 from the prior year's balance of \$21,034,418. 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 120 percent of the general fund's expenditures.

Total general fund expenditures this year were \$3.1 million higher than the prior year while total general fund revenues this year were \$1.5 million less than the prior year. Significant changes in the City's General Fund revenues and expenditures are as follows:

- License and permit revenues decreased by \$600,000 due to decreased casino revenue.
- Intergovernmental revenues decreased by \$300,000 as a result of receiving fewer grants in fiscal year 2010-11. Grants received in the prior year but not in the current year include the American Reinvestment and Recovery Act grant and the Safe Route to School Grant.
- Other revenues decreased by \$440,000. In the prior year, the City received a contribution of \$500,000 from a foundation; a similar contribution is anticipated to be received in fiscal year 2011-12. This type of revenue fluctuates from year to year.
- General government expenditures increased by \$350,000 as a result of reallocating certain maintenance costs from the Redevelopment Agency Capital Projects fund to the General Fund.
- Capital outlay expenditures increased by \$2.7 million due to significant work being done on the Fedde Sports Complex.

The **Low and Moderate Income Housing** fund has a total fund balance of \$7,881,820. The change in fund balance was a \$956,722 increase to last year's ending balance of \$6,925,098. The

revenue comes primarily from the twenty percent (20%) of the property tax increment revenue collected each year. The total revenue this year was \$1,198,742, which was \$86,000 less than last year. The expenditures this year were \$242,020, of which \$202,406 was for debt service.

The **Redevelopment Agency Debt Service** fund has a total fund balance of \$252,140, all of which is restricted for the payment of debt service. The fund balance declined by \$623,350 from last year's ending balance of \$875,490. The revenue comes from property tax collected each year. The total revenue this year was \$4.8 million, which was \$310,000 less than last year. The expenditures are primarily used to service debt.

The **Redevelopment Agency Capital Projects** fund has a fund deficit of (\$1,771,550). Fund balance decreased by \$101,390 from last year's deficit fund balance of (\$1,670,160). The revenue this year was \$73,600 which is slightly higher than last year's \$65,800. The expenditures of \$1.7 million are \$2.3 million lower than last year. The decrease is due to the decreased payment to the Supplemental Educational Revenue Augmentation Fund (SERAF) in FY 2010-11; the Redevelopment Agency was required to make a \$2.4 million payment to SERAF in FY 2009-10 and \$503,667 in FY 2010-11.

### GENERAL FUND BUDGET

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

- Licenses and permits – Budget \$13,360,800; Received \$13,053,035 = \$307,765 less than the budget. The City was anticipating receiving more casino revenue than was actually received.
- Intergovernmental – Budget \$1,049,750; Received \$408,973 = \$640,777 less than the budget due to grants not being received in the period they were anticipated. Specifically, a park bond grant and a Safe Route to School grant were budgeted but not received during fiscal year 2010-11.
- Other revenues – Budget \$509,400; Received \$147,453 = \$361,947 less than the budget. The City anticipated receiving a large contribution from a Foundation; however, this contribution was not received in FY 2010-11 and the City is now expecting to receive a \$500,000 contribution in fiscal year 2011-12.
- Capital outlay – Budget \$7,052,038; Expended \$3,577,208 = \$3,474,830 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 \$4.3 million, or 20.4%. 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 2011 have been carried forward to fiscal year 2012.

The total General Fund revenue budget was \$17,288,129 with actual receipts of \$16,140,191, and the expenditure budget was \$20,999,925 with actual expenditures of \$16,710,780. The actual revenue and expenditure activity resulted in a positive variance with the budget of \$3,141,207, which had the effect of raising the City's liquidity and ability to provide future government services.

## CAPITAL ASSETS

	<b>Governmental Activities</b>	
	<b>(net of accumulated depreciation)</b>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Buildings and improvements	\$ 11,874,912	\$ 11,925,734
Furniture and equipment	253,911	270,080
Vehicles	584,657	636,628
Infrastructure – road system	8,363,061	9,254,894
Rights-of-way	9,929,792	3,290,005
Land	5,445,294	5,445,294
Construction in progress	-	6,708,255
Total	<u>\$ 36,451,627</u>	<u>\$ 37,530,890</u>

During FY 2010/11, assets totaling \$6.9 million were removed from construction in progress and were added to Rights-of-way capital assets as a result of completing the Dead-End Street project. This was for right-of-way access to 226<sup>th</sup> Street.

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, 2011, the City had total long-term liabilities outstanding of \$42.59 million. 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 \$159 million at June 30, 2011. The City has no general obligation debt, meaning there is no debt backed by the full faith and credit of the City. Most of the outstanding debt is in the form of tax allocation revenue bonds.

	<b>Governmental Activities</b>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Compensated Absences	\$ 527,975	\$ 566,843
1999 Tax Allocation Bonds	2,270,000	2,945,000
2004 Tax Allocation Bonds	33,705,000	33,875,000
2006 Tax Allocation Bonds	6,615,000	6,910,000
Total	<u>\$ 43,117,975</u>	<u>\$ 44,296,843</u>

The City's total long-term liabilities decreased by \$1.2 million, or 2.66%, during the current fiscal year. The 1999 Tax Allocation Bonds are rated BBB+ while the 2004 and 2006 Tax Allocation Bonds are each rated AAA.

Additional information on the City's long-term debt can be found in the note titled, "Long-Term Liabilities," in the notes to the financial statement.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The decline of the national and state economies is having a financial effect on the City. General Fund revenues declined by \$1.47 million in fiscal year 2010-11 which follows a decline of \$1.3 million in fiscal year 2009-10. The decline in each year includes revenues such as property tax and casino license revenues.

The fiscal year 2011-12 budget includes the completion of the Fedde Sports Complex capital project. This project will enhance the quality of life for the residents of the City by improving and enhancing the fields at Fedde Middle School; this complex will serve as one of the City's parks. The funding for this project has come from monies set aside in previous years, and in fiscal year 2011-12, the City will apply for a \$1 million park bond grant to reimburse the General Fund for this project.

For fiscal year 2011-12, the City's proposed total expenditures of \$25.4 million for operations, debt service, and capital projects remain essentially the same as was budgeted for fiscal year 2010-11. There is an overall proposed increase in personnel and operating costs of \$698,000 as a result of new programs such as for operating and maintaining the Fedde Sports Complex (estimated at \$250,000) and an overall increase in personnel costs as a result of a 2.8% increase in the pension rate. However, these increases have been offset by a reduction of \$736,000 in the capital improvement program, which is mainly a result of the completion of the Fedde Sports Complex. The capital projects proposed for fiscal year 2011-12 include the continuation of the street overlay project, funded by the CDBG and Measure R funds, and a Veteran/public safety memorial project, which is to be funded by the General Fund.

### 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**

**This page left blank intentionally.**

**CITY OF HAWAIIAN GARDENS**  
**Statement of Net Assets**  
**June 30, 2011**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Cash and investments	\$ 16,348,539
Cash and investments held by fiscal agent	8,274,235
Receivables:	
Accounts	1,117,479
Interest	17,999
Notes	63,632
Loans	867,007
Due from other governments	678,470
Prepaid items	4,847
Property held for resale	3,775,408
Capital assets, not being depreciated	14,999,811
Capital assets, net of depreciation	<u>21,451,816</u>
 Total assets	 <u>67,599,243</u>
<b>Liabilities:</b>	
Accounts payable	184,216
Accrued liabilities	160,225
Interest payable	175,296
Due to other governments	226,701
Deposits payable	23,230
Unearned revenue	443,685
Noncurrent liabilities:	
Due within one year	1,392,500
Due in more than one year	<u>41,725,475</u>
 Total liabilities	 <u>44,331,328</u>
<b>Net Assets:</b>	
Invested in capital assets	36,451,627
Restricted for:	
Public safety	94,485
Public works	354,910
Highways and streets	152,575
Urban development	8,064,310
Health and welfare	230,947
Unrestricted	<u>(22,080,939)</u>
 Total net assets	 <u><u>\$ 23,267,915</u></u>

See Accompanying Notes to the Basic Financial Statements.

**This page left blank intentionally.**

**CITY OF HAWAIIAN GARDENS**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Assets
Functions/Programs:					Total Governmental Activities
Governmental activities:					
General government	\$ 8,775,983	\$ 3,273	\$ -	\$ -	\$ (8,772,710)
Public safety	3,443,643	111,825	114,711	-	(3,217,107)
Public works	1,550,686	469,288	-	-	(1,081,398)
Highways and streets	1,454,659	-	1,564,588	-	109,929
Culture and recreation	3,709,136	114,225	59,814	3,265	(3,531,832)
Urban development	3,335,270	-	639,229	-	(2,696,041)
Health and welfare	1,324,531	137,439	1,067,148	-	(119,944)
Interest and fiscal charges	2,127,469	-	-	-	(2,127,469)
<b>Total primary government</b>	<b>\$ 25,721,377</b>	<b>\$ 836,050</b>	<b>\$ 3,445,490</b>	<b>\$ 3,265</b>	<b>\$(21,436,572)</b>
General revenues:					
Taxes:					
Property taxes					5,966,338
Business license taxes					12,760,534
Sales taxes					654,284
Transient occupancy taxes					97,602
Franchise taxes					186,371
Other taxes					26,815
Motor vehicle in lieu, unrestricted					1,317,884
Investment income					134,720
Other revenues					313,594
Loss on disposal of capital assets					(15,346)
					<u>21,442,796</u>
					6,224
Net assets, beginning of year					<u>23,261,691</u>
Net assets, end of year					<u>\$ 23,267,915</u>

See accompanying notes to the basic financial statements.

**CITY OF HAWAIIAN GARDENS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<b>General</b>	<b>Special Revenue Low and Moderate Income Housing</b>
<b>Assets:</b>		
Cash and investments	\$ 13,804,579	\$ 1,614,962
Restricted assets:		
Cash and investments held by fiscal agent	-	2,016,056
Receivables:		
Accounts	1,112,729	-
Interest	9,146	-
Notes	-	25,500
Loans	-	-
Due from other governments	279,243	-
Due from other funds	288,040	-
Prepaid items	-	-
Advances to other funds	7,292,710	2,950,050
Property held for resale	-	1,275,258
	<b>\$ 22,786,447</b>	<b>\$ 7,881,826</b>
<b>Liabilities and fund balances:</b>		
Liabilities:		
Accounts payable	153,651	-
Accrued liabilities	117,729	-
Deposits payable	-	-
Due to other governments	-	-
Due to other funds	-	-
Deferred revenue	2,419,336	-
Advances from other funds	-	-
	<b>2,690,716</b>	<b>-</b>
<b>Fund balances:</b>		
Nonspendable:		
Prepaid items	-	-
Restricted:		
Public safety	-	-
Public works	-	-
Debt service	-	-
Highways and streets	-	-
Urban development	-	7,881,826
Health and welfare	-	-
Unrestricted	20,095,731	-
	<b>20,095,731</b>	<b>7,881,826</b>
	<b>\$ 22,786,447</b>	<b>\$ 7,881,826</b>

See accompanying to the basic financial statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Redevelopment Agency</u>	<u>Redevelopment Agency</u>		
\$ -	\$ -	\$ 928,998	\$ 16,348,539
6,258,179	-	-	8,274,235
-	250	4,500	1,117,479
-	8,853	-	17,999
-	38,132	-	63,632
-	-	867,007	867,007
194,359	-	204,868	678,470
-	-	-	288,040
-	-	4,847	4,847
-	-	-	10,242,760
-	2,500,150	-	3,775,408
<u>\$ 6,452,538</u>	<u>\$ 2,547,385</u>	<u>\$ 2,010,220</u>	<u>\$ 41,678,416</u>
9,610	5,715	15,240	184,216
-	11,317	31,179	160,225
-	23,230	-	23,230
-	226,701	-	226,701
-	-	288,040	288,040
-	-	867,007	3,286,343
6,190,788	4,051,972	-	10,242,760
<u>6,200,398</u>	<u>4,318,935</u>	<u>1,201,466</u>	<u>14,411,515</u>
-	-	4,847	4,847
-	-	94,485	94,485
-	2,500,150	354,910	2,855,060
252,140	-	-	252,140
-	-	332,635	332,635
-	-	-	7,881,826
-	-	230,947	230,947
-	(4,271,700)	(209,070)	15,614,961
<u>252,140</u>	<u>(1,771,550)</u>	<u>808,754</u>	<u>27,266,901</u>
<u>\$ 6,452,538</u>	<u>\$ 2,547,385</u>	<u>\$ 2,010,220</u>	<u>\$ 41,678,416</u>

See accompanying to the basic financial statements.

**CITY OF HAWAIIAN GARDENS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2011**

Fund balance for governmental funds	\$	27,266,901
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.		36,451,627
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.		(43,117,975)
Interest on long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.		(175,296)
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.		<u>2,842,658</u>
Net assets of governmental activities	\$	<u><u>23,267,915</u></u>

See accompanying to the basic financial statements.



**This page left blank intentionally.**

**CITY OF HAWAIIAN GARDENS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	<u>General</u>	<u>Special Revenue Low and Moderate Income Housing</u>
<b>Revenues:</b>		
Taxes	\$ 2,032,944	\$ 1,191,540
Licenses and permits	13,053,035	-
Intergovernmental	408,973	-
Charges for services	261,805	-
Fines and penalties	110,825	-
Rental income	55,644	-
Investment income	69,512	7,207
Other revenues	147,453	-
<b>Total revenues</b>	<u>16,140,191</u>	<u>1,198,747</u>
<b>Expenditures:</b>		
<b>Current:</b>		
General government	5,141,894	39,613
Public safety	3,282,956	-
Public works	1,282,573	-
Highways and streets	-	-
Culture and recreation	3,426,149	-
Urban development	-	-
Health and welfare	-	-
Capital outlay	3,577,208	-
<b>Debt service:</b>		
Principal	-	2,622
Interest	-	199,784
<b>Total expenditures</b>	<u>16,710,780</u>	<u>242,019</u>
Excess (deficiency) of revenues over expenditures	<u>(570,589)</u>	<u>956,728</u>
<b>Other financing sources (uses):</b>		
Transfers in	41,888	-
Transfers out	(409,986)	-
<b>Total other       financing sources (uses)</b>	<u>(368,098)</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>(938,687)</u>	<u>956,728</u>
Fund balances (deficits), beginning of year	21,034,418	6,925,098
Fund balances (deficits), end of year	<u>\$ 20,095,731</u>	<u>\$ 7,881,826</u>

See accompanying to the basic financial statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Redevelopment Agency</u>	<u>Redevelopment Agency</u>		
\$ 4,766,161	\$ -	\$ 908,226	\$ 8,898,871
-	-	-	13,053,035
-	-	2,240,219	2,649,192
-	-	-	261,805
-	-	-	110,825
-	71,949	-	127,593
52,141	1,556	4,304	134,720
-	61	360,392	507,906
<u>4,818,302</u>	<u>73,566</u>	<u>3,513,141</u>	<u>25,743,947</u>
338,609	1,525,941	35,308	7,081,365
-	-	158,883	3,441,839
-	-	249,638	1,532,211
-	-	1,412,771	1,412,771
-	-	-	3,426,149
-	-	370,302	370,302
-	-	1,313,431	1,313,431
-	177,194	236,389	3,990,791
1,137,378	-	-	1,140,000
2,437,486	-	-	2,637,270
<u>3,913,473</u>	<u>1,703,135</u>	<u>3,776,722</u>	<u>26,346,129</u>
<u>904,829</u>	<u>(1,629,569)</u>	<u>(263,581)</u>	<u>(602,182)</u>
-	1,528,179	409,986	1,980,053
<u>(1,528,179)</u>	<u>-</u>	<u>(41,888)</u>	<u>(1,980,053)</u>
<u>(1,528,179)</u>	<u>1,528,179</u>	<u>368,098</u>	<u>-</u>
(623,350)	(101,390)	104,517	(602,182)
875,490	(1,670,160)	704,237	27,869,083
<u>\$ 252,140</u>	<u>\$ (1,771,550)</u>	<u>\$ 808,754</u>	<u>\$ 27,266,901</u>

See accompanying to the basic financial statements.

**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, 2011**

Net changes in fund balances - total governmental funds \$ (602,182)

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	\$ 3,990,791	
Amounts expensed for repairs and maintenance	(1,041,591)	
Amounts expensed for assets not owned by the City	(2,691,822)	
Depreciation expense	(1,321,295)	
Loss on disposal	<u>(15,346)</u>	(1,079,263)

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	\$ 1,140,000	
Compensated absences	<u>38,868</u>	1,178,868

Interest on long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. 4,783

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. 504,018

Change in net assets of governmental activities \$ 6,224

See accompanying to the basic financial statements

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2011**

**(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, culture and recreation, urban 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 Redevelopment Agency of the City of Hawaiian Gardens (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. 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 Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

Hawaiian Gardens Public Financing Authority

The City of Hawaiian Gardens Financing Authority (Authority) was established by a joint exercise of powers agreement between the City of Hawaiian Gardens (City) and the Redevelopment Agency of the City of Hawaiian Gardens (Agency) on January 13, 1988, for the purpose of financing public capital improvements. Even though the Authority is a legally separate entity, in substance, the activities of the Authority are part of the Agency's operations, and both entities share the same governing board. As such, the Authority is considered to be a blended component unit of the Agency. Upon completion, the separate financial statements of the Authority can be obtained from the Agency.

***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 the basic 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 expenses 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, operating and capital grants and contributions made by parties outside of the reporting government's citizenry that are 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 and are reported instead as general revenues.

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenses. 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 expense.

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 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 that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of the long-term receivables are offset by deferred revenues.

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

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, expenditures 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.

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 of the 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 Agency.

*d. Cash and Investments*

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

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



**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

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

*e. Due from other Governments*

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

*f. Capital Assets*

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

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

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

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

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

*g. Capital Outlay*

Capital outlay includes expenditures for capital assets of the City, as well as for improvements on properties not owned by the City. Improvements on properties not owned by the City are not capitalized; instead, they are reported on the statement of activities as urban development.

*h. 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

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

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.

*i. 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, 2011, there were no outstanding liabilities recorded relating to claims and judgment in a governmental fund.

*j. 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, 2011, were due and payable in two installments on November 1 and February 1 and became delinquent after December 10 and April 10, respectively. At the date of incorporation, the City elected to be a no/low property tax city as an incentive for current and prospective residents to reside in the City.

The property tax calendar

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

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

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

***k. 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 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 restricted in amounts equal to the carrying value of land held for resale, because the future proceeds from such assets are restricted for specific purposes.

***l. 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 not 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.
- **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.”

***m. Fund Balances***

Effective July 1, 2010, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds is classified as follows:

- **Nonspendable** – includes amounts that are (a) not in a spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- **Restricted** – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed** – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

- Assigned – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned – is the residual classification for the General Fund and includes all amounts not contained in the other classifications, as well as the residual negative fund balance of other governmental funds. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The City Council adopts the City Fund Balance Policy annually. The policy establishes guidelines for budget decisions as to the appropriate use of General Fund resources and the maintenance of adequate reserves for contingencies, emergencies, capital improvements, and other such uses as determined by the City Council.

*n. Use of Estimates*

The preparation of financial statements in conformity with GAAP 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.

*o. Pass-Through Payments*

Under the California Redevelopment Law (Health and Safety Code Section 33607.5), the City is obligated to pass-through tax increment received from the Project Area, after deducting a minimum of 20% for Housing Set Aside funds (Health and Safety Code Section 33334.2), to other agencies within the Project Area. In addition, the City is obligated to pass-through an additional amount of tax increment to districts within the Project Area as basic aid payments pursuant to California Redevelopment Law (Health and Safety Code Section 33676). Pass-through payments of \$226,700 were accrued by the City as of June 30, 2011.

**(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

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

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 and the City's capital plan. Therefore, these funds do not have legally adopted budgets. Special revenue funds have legally adopted budgets, which are established on a basis consistent with GAAP. Budgeted amounts are as originally adopted and as further amended by the City Council.

***b. Expenditures in Excess of Appropriations***

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2011:

Fund	Budget	Actual	(Negative)
<b>Major Special Revenue Fund:</b>			
Low and Moderate Income Housing	\$ 30,000	\$ 242,019	\$ (212,019)
<b>Nonmajor Special Revenue Funds:</b>			
Proposition C Local Transit Assistance	211,081	235,921	(24,840)
Proposition A Local Transit Assistance	531,097	573,916	(42,819)
Community Oriented Police Services	154,012	158,883	(4,871)
Housing Authority	1,282,922	1,313,431	(30,509)

***c. Accumulated Funds Deficits***

The following funds had fund deficits at June 30, 2011:

Redevelopment Agency Capital Project Fund	\$ 1,544,845
<b>Nonmajor Special Revenue Funds:</b>	
Proposition C Local Transit Assistance Fund	138,231
Proposition A Local Transit Assistance Fund	68,416

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

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

(3) **CASH AND INVESTMENTS**

Cash and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 16,348,539
Restricted:	
Cash and investments held by fiscal agent	<u>8,274,235</u>
Total cash and investments	<u><u>\$ 24,622,774</u></u>

Cash and investments as of June 30, 2011, consist of the following:

Cash on hand	\$ 2,579
Deposits with financial institutions	1,155,811
Investments	<u>23,464,384</u>
Total cash and investments	<u><u>\$ 24,622,774</u></u>

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.

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

<u>Investment Types</u> <u>Authorized by State Law</u>	<u>Authorized</u> <u>by Investment</u> <u>Policy</u>	<u>*Maximum</u> <u>Maturity</u>	<u>*Maximum</u> <u>Percentage</u> <u>of Portfolio</u>	<u>*Maximum</u> <u>Investment</u> <u>in One Issuer</u>
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.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the 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 Refunding Bonds

<u>Authorized</u> <u>Investment Type</u>	<u>Maximum</u> <u>Maturity</u>	<u>Maximum</u> <u>Percentage</u> <u>Allowed</u>	<u>Maximum</u> <u>Investment</u> <u>in One Issuer</u>
U.S. Treasury Obligations	None	None	None
Banker's Acceptances	None	None	None
Commercial Paper	None	None	None
Interest-bearing Time Deposits	None	None	None
Money Market Mutual Funds	N/A	None	None
Municipal Obligations	None	None	None

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

2004 Tax Allocation Revenue 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 Agreement	30 years	None	None

2006 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	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 Agreement	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 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.



**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

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	\$ 15,190,149	\$ 15,190,149	\$ -
Held by bond trustee:			
Investment agreement	799,500	-	799,500
Money market mutual funds	7,474,735	7,474,735	-
Total	\$ 23,464,384	\$ 22,664,884	\$ 799,500

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	\$ 15,190,149	N/A	\$ -	\$ 15,190,149
Held by bond trustee:				
Investment agreement	799,500	N/A	-	799,500
Money market mutual funds	7,474,735	N/A	7,474,735	-
Total	\$ 23,464,384		\$ 7,474,735	\$ 15,989,649

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 money market mutual funds and the external investment pool) that represent 5% or more of the total City investments as of June 30, 2011.

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

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that the financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2011, 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, 2011, was \$24 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011, had a balance of \$66.4 billion, of that amount, 5.01% was invested in medium-term and short-term structured notes and asset backed securities. The average maturity of PMIA investments was 237 days as of June 30, 2011.

**(4) INTERFUND TRANSACTIONS**

Current interfund receivables and payables as of June 30, 2011, are as follows:

Due from other funds	Due to other funds	Amount
General Fund	Nonmajor Governmental Funds	\$ 288,040

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

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

Noncurrent interfund receivables and payables as of June 30, 2011, 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	\$ 6,190,788 (1)
	Redevelopment Agency Capital Projects Fund	1,101,922 (2)
Low and Moderate Income Housing Fund	Redevelopment Agency Capital Projects Fund	2,950,050 (3)
		<u>\$ 10,242,760</u>

- (1) In February 2001, the 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 was made pursuant to Disposition and 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, 2011, is \$6,190,788.
- (2) The Redevelopment Agency Capital Projects Fund received an advance from the General Fund to cover a deficit cash balance in the amount of \$1,101,922.
- (3) In May 2010 and March 2011, the Low and Moderate Income Housing Fund advanced to the Redevelopment Agency Capital Projects Fund \$2,446,383 and \$503,667 to be paid back by June 30, 2015 and 2016, respectively. This advance was made to provide the Redevelopment Agency Capital Projects Fund sufficient funds to make payments to the State of California for the Supplemental Educational Revenue Augmentation Fund (SERAF), as required by AB26 4X. The amount outstanding at June 30, 2011, is \$2,950,050.

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

Transfers in and out for the year ended June 30, 2011, were as follows:

Transfer Out	Transfers In	Amount	
General Fund	Nonmajor Governmental Funds	\$ 409,986	(1)
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	1,528,179	(2)
Nonmajor Governmental Fund	General Fund	41,888	(3)
		\$ 1,980,053	

- (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 Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

**(5) CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2011:

<u>Government Activities</u>	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
<b>Capital assets, not being depreciated:</b>				
Rights-of-way	\$ 3,290,005	\$ -	\$ -	\$ 3,290,005
Land	11,709,806 *	-	-	11,709,806
Construction in progress	443,743 *	235,362	(679,105)	-
<b>Total capital assets     not being depreciated</b>	<b>15,443,554</b>	<b>235,362</b>	<b>(679,105)</b>	<b>14,999,811</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	16,138,694	303,830	-	16,442,524
Furniture and equipment	548,353	22,016	-	570,369
Vehicles	953,435	-	(21,923)	931,512
Infrastructure - road system	23,315,711	375,275	-	23,690,986
<b>Total capital assets     being depreciated</b>	<b>40,956,193</b>	<b>701,121</b>	<b>(21,923)</b>	<b>41,635,391</b>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	(4,212,960)	(354,652)	-	(4,567,612)
Furniture and equipment	(278,273)	(38,185)	-	(316,458)
Vehicles	(316,807)	(36,625)	6,577	(346,855)
Infrastructure - road system	(14,060,817)	(891,833)	-	(14,952,650)
<b>Total accumulated     depreciation</b>	<b>(18,868,857)</b>	<b>(1,321,295)</b>	<b>6,577</b>	<b>(20,183,575)</b>
<b>Total capital assets being depreciated, net</b>	<b>22,087,336</b>	<b>(620,174)</b>	<b>(15,346)</b>	<b>21,451,816</b>
<b>Total capital assets, net</b>	<b>\$ 37,530,890</b>	<b>\$ (384,812)</b>	<b>\$ (694,451)</b>	<b>\$ 36,451,627</b>

\* As of July 1, 2010, \$6,264,512 was reclassified from construction in progress to land.

Depreciation expense was charged in the following functions in the Statement of Activities for the year ended June 30, 2011:

General government	\$ 1,007,113
Public safety	1,804
Public works	18,475
Culture and recreation	282,803
Health and welfare	11,100
	<u>\$ 1,321,295</u>

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

**(6) LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011	Due Within One Year
1999 Tax Allocation Refunding Bonds	\$ 2,945,000	\$ -	\$ 675,000	\$ 2,270,000	\$ 715,000
2004 Tax Allocation Revenue Bonds	33,875,000	-	170,000	33,705,000	175,000
2006 Tax Allocation Revenue Bonds	6,910,000	-	295,000	6,615,000	310,000
Compensated Absences	566,843	206,174	245,042	527,975	192,500
	<u>\$ 44,296,843</u>	<u>\$ 206,174</u>	<u>\$ 1,385,042</u>	<u>\$ 43,117,975</u>	<u>\$ 1,392,500</u>

1999 Tax Allocation Refunding Bonds

In October 1999, the Agency issued \$7,995,000 in Redevelopment Project No. 1 Tax Allocation Refunding Bonds (1999 Refunding Bonds). The 1999 Refunding Bonds were issued to current 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 \$851,200. As of June 30, 2011, the reserve was \$851,200. At June 30, 2011, bonds outstanding on the 1999 Refunding Bonds were \$2,270,000.

2004 Tax Allocation Revenue Bonds

In May 2004, the Hawaiian Gardens Financing Authority (Authority) issued \$34,530,000 in Tax Allocation Revenue Bonds (Revenue Bonds). Proceeds of the sales of the Revenue Bonds were used to purchase the 2004 Agency Bonds Series A and B (Agency 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 (Project Area).

Interest on the 2004 Revenue 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.

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

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 \$1,819,189. As of June 30 2011, the reserve was \$1,823,545. At June 30, 2011, bonds outstanding on the 2004 Revenue bonds were \$33,705,000.

2006 Tax Allocation Bonds

In July 2006, the Agency issued Tax Allocation Bonds, Series A, and Subordinate Tax Allocation Bonds, Series 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, 2011, bonds outstanding on the 2006 Tax Allocation Bonds were \$6,615,000.

Minimum annual requirements to amortize long-term debt of the City as of June 30, 2011 are as follows:

Year Ending June 30,	1999 Tax Allocation Refunding Bonds		2004 Tax Allocation Revenue Bonds		2006 Tax Allocation Bonds		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
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	-	-	1,095,000	1,552,698	370,000	254,325	3,272,023
2017-2021	-	-	6,260,000	6,962,107	2,120,000	977,269	16,319,376
2022-2026	-	-	7,820,000	5,238,020	2,810,000	372,750	16,240,770
2027-2031	-	-	9,795,000	3,052,536	-	-	12,847,536
2032-2034	-	-	7,130,000	546,500	-	-	7,676,500
Totals	\$ 2,270,000	\$ 209,400	\$ 33,705,000	\$ 23,854,512	\$ 6,615,000	\$ 2,781,245	\$ 69,435,157

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

Pledged Revenues

The 2004 tax allocation revenue bonds are secured and to be serviced from tax increment revenues excluding dedicated housing tax increment. At June 30, 2011, total interest and principal remaining on the 1999 Tax Allocation Bonds was \$2,479,400 through fiscal year ending June 30, 2014. At June 30, 2011, total interest and principal remaining on the 2004 Tax Allocation Bonds was \$57,559,512 through fiscal year ending June 30, 2034. At June 30, 2011 total interest and principal remaining on the 2006 Tax Allocation Bonds was \$9,396,245 through fiscal year ending June 30, 2026. Pledged tax increment revenue recognized during the year was \$4,965,266 against the total debt service payment of \$3,272,252. 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, 2011, the following outstanding certificates are considered defeased:

2000 Certificates of Participation \$3,610,000

**(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.



**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

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, 2010, to June 30, 2011, has been determined by an actuarial valuation of the plan as of June 30, 2010. The City's covered payroll for PERS was \$4,172,899 for the year ended June 30, 2011, while the City's total payroll for all employees was \$4,638,347 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2010 to June 30, 2011.

*Three-Year Trend Information*

*Annual Pension Cost*

Fiscal Year	Contribution Rate	Employer Contribution	Percentage Contributed
6/30/2009	18.64%	\$ 690,880	100%
6/30/2010	18.71%	\$ 762,130	100%
6/30/2011	19.16%	\$ 782,659	100%

**(8) OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description:

The City provides postemployment 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. In order to be eligible, the employee must have worked a minimum of five years with the City. 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* (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.

Membership of the plan consisted of the following at June 30, 2010, the date of the most recent actuarial valuation:

Retirees receiving benefits	19
Active plan members	68
Total	87

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

Funding Policy:

The contributions by the City to the Trust are established by City Council action. The City will fund the full annual required contribution during each fiscal year and will deposit the funds with the Trust. The required contribution is measured on an accrual basis rather than on a pay-as-you-go basis. On an ongoing basis, the City will be reviewing its assumptions, comparing them against actual experience and recalculating the needed funding with the goal of paying for postemployment benefits out of interest earned on designated funds. The City contributed \$590,484 for the fiscal year ended June 30, 2011.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method, permitted by GASB Statement No. 45, for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over the remaining period of 30 years.

	FY 08/09	FY 09/10	FY 10/11
Annual OPEB cost	\$ 551,000	\$ 569,000	\$ 590,484
Percentage of annual OPEB cost contributed	100%	100%	100%

Funding Status and Funding Progress:

As of June 30, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$5,989,009, and the actuarial value of assets was \$1,168,710, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,820,299 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 19.5%. The covered payroll (annual payroll of active employees covered by the plan) was \$4,638,347, and the ratio of the UAAL to the covered payroll was 103.9%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

Additional information for the latest actuarial valuation follows:

Valuation date	June 30, 2010
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	27 years
Actuarial assumptions:	
Investment rate of return	7.75%
Healthcare cost trend rate	9.5% initial, 5% ultimate
Projected salary increases	3.25%
Inflation assumption	3.60%

**(9) LIABILITY, PROPERTY AND WORKERS COMPENSATION PROTECTION**

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

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 121 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 Authority 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**

A revised cost allocation methodology was introduced in 2010-11, however it retains many elements of the previous cost allocation methodology. Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2010-11 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

to \$4 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$4 million to \$10 million are pooled among members.

*c. Purchased Insurance*

Pollution Legal Liability Insurance

The City participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2008, through July 1, 2011. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City property currently has all-risk property insurance protection in the amount of \$16,566,587. 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 retrospective adjustments.

Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City property currently has earthquake protection in the amount of \$14,611,519. 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 retrospective adjustments.

Crime Insurance

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

Special Event Tenant User Liability Insurance

The City 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 according to a schedule. The City then pays for the insurance. The insurance is arranged by the Authority.

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

*d. Adequacy of Protection*

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2010-11.

**(10) SUBSEQUENT EVENT**

*Recent Changes in Legislation Affecting California Redevelopment Agencies*

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill 1X 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate by means of a voluntary alternative redevelopment program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011, on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court (Court) to overturn Assembly Bills 1X 26 and 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the Court ruled that Assembly Bill 1X 26, the dissolution measure, is largely upheld and is a proper exercise of the legislative power vested in the Legislature by the State Constitution. A different conclusion was rendered with respect to Assembly Bill 1X 27, which was invalidated in its entirety by the Court. Accordingly, the Agency is required to dissolve in fiscal year 2011/12 and the guidelines for dissolution are set forth in Assembly Bill 1X 26. The financial statements do not include any adjustments as a result of the dissolution of the Agency.

The following is a summary of the significant provisions of Assembly Bill 1X 26:

*Suspends Redevelopment Activity* - As of June 29, 2011, the Agency cannot incur new obligations and debt. More specifically, the Agency cannot enter into or amend contracts, renew or extend leases or other agreements, and dispose of or transfer real property or other assets. Agencies are required to continue to make scheduled payments on bonds and other legally binding agreements, and to manage existing contracts, projects, and other agreements.

*Dissolves Redevelopment Agencies* - Assembly Bill 1X 26 dissolves all redevelopment agencies and community development agencies. All assets and responsibilities for closing out the activities of the former agency are transferred to a "Successor Agency."

*Creates Successor Agencies* - The Successor Agency is presumed to be the sponsoring community of the redevelopment agency (i.e. the City). The responsibility of a Successor Agency includes making payments and performing obligations of the former redevelopment agency in accordance with a schedule of enforceable obligations. Enforceable obligations include; bonds, loans, legally required payments, including payments for pension obligations, judgments or settlements, and other legally binding and enforceable agreements. A Successor Agency is required to dispose of the former agency's assets in an expeditious fashion, to transfer the

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended June 30, 2011**

housing functions to its sponsoring community, to wind down the affairs of the former agency (including the payment of debt and completion of obligated projects), to prepare administrative budgets, and to provide support to the "Oversight Board."

*Transfer of Housing Functions* - The sponsoring community may choose to assume the housing functions and the housing assets of the dissolved agency. Should the sponsoring community choose not to assume these responsibilities, all assets and functions would be transferred to the local housing authority.

*Creation of Oversight Boards* - The Oversight Board, which is comprised of seven member representatives from local government bodies, is tasked with reviewing and approving the actions of the Successor Agency. Two of the seven members would be City representatives appointed by the City Council - one of which must be an employee from the recognized employee organization representing the largest number of employees working for the redevelopment agency as of the date of dissolution. The remaining members are appointed by the County (2), the County Superintendent of Education (1), the Chancellor of California Community Colleges (1), and the largest special district taxing entity in the territorial jurisdiction of the former redevelopment agency which is eligible to receive property tax revenues pursuant to Section 34188.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 1,953,262	\$ 1,987,262	\$ 2,032,944	\$ 45,682
Licenses and permits	13,360,800	13,360,800	13,053,035	(307,765)
Intergovernmental	1,078,000	1,049,750	408,973	(640,777)
Charges for services	147,917	147,917	261,805	113,888
Fines and penalties	85,000	82,000	110,825	28,825
Rental income	48,000	48,000	55,644	7,644
Use of money and property	133,000	103,000	69,512	(33,488)
Other revenues	518,400	509,400	147,453	(361,947)
	<u>17,324,379</u>	<u>17,288,129</u>	<u>16,140,191</u>	<u>(1,147,938)</u>
<b>Expenditures:</b>				
Current:				
General Government	4,450,774	5,458,592	5,141,894	316,698
Public Safety	3,618,927	3,616,866	3,282,956	333,910
Public works	1,447,388	1,413,070	1,282,573	130,497
Culture and recreation	3,996,588	3,459,359	3,426,149	33,210
Capital outlay	7,052,038	7,052,038	3,577,208	3,474,830
	<u>20,565,715</u>	<u>20,999,925</u>	<u>16,710,780</u>	<u>4,289,145</u>
Excess of revenues over (under) expenditures	<u>(3,241,336)</u>	<u>(3,711,796)</u>	<u>(570,589)</u>	<u>3,141,207</u>
Other financing sources (uses):				
Transfer in	59,000	59,000	41,888	(17,112)
Transfer out	(1,944,000)	(1,944,000)	(409,986)	1,534,014
Total other financing sources (uses)	<u>(1,885,000)</u>	<u>(1,885,000)</u>	<u>(368,098)</u>	<u>1,516,902</u>
Net change in fund balance	(5,126,336)	(5,596,796)	(938,687)	4,658,109
Fund balance, beginning of year	<u>21,034,418</u>	<u>21,034,418</u>	<u>21,034,418</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,908,082</u>	<u>\$ 15,437,622</u>	<u>\$ 20,095,731</u>	<u>\$ 4,658,109</u>

See accompanying to the basic financial statements.

**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**Low and Moderate Income Housing Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 1,191,540	\$ 1,191,540
Investment income	-	-	7,207	7,207
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>1,198,747</u>	<u>1,198,747</u>
<b>Expenditures:</b>				
Current:				
General Government	30,000	30,000	39,613	(9,613)
Debt service:				
Principal	-	-	2,622	(2,622)
Interest	-	-	199,784	(199,784)
<b>Total expenditures</b>	<u>30,000</u>	<u>30,000</u>	<u>242,019</u>	<u>(212,019)</u>
Net change in fund balance	(30,000)	(30,000)	956,728	926,728
Fund balance, beginning of year	<u>6,925,098</u>	<u>6,925,098</u>	<u>6,925,098</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,895,098</u>	<u>\$ 6,895,098</u>	<u>\$ 7,881,826</u>	<u>\$ 986,728</u>

See accompanying to the basic financial statements.

**CITY OF HAWAIIAN GARDENS**  
**Notes to the Required Supplementary Information**  
**Year Ended June 30, 2011**

**(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, 2011:

Fund	Final Budget	Actual	Final Budget Positive (Negative)
Low and Moderate Income			
Housing Special Revenue Fund	\$ 30,000	\$ 242,019	\$ (212,019)

**CITY OF HAWAIIAN GARDENS**  
**Required Supplementary Information**  
**OPEB Schedule of Funding Progress**  
**June 30, 2011**

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Payroll
6/30/2008	\$ 4,222,000	\$ -	\$ 4,222,000	0.00%	\$ 3,756,000	112.41%
6/30/2010	5,989,009	1,168,710	4,820,299	19.51%	4,638,347	103.92%

**SUPPLEMENTARY INFORMATION**

**This page left blank intentionally.**

## 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**

#### **Community Development Block Grant (CDBG)**

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.

#### **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, 2011**

	<u>Special Revenue</u>			
	<u>Community Development Block Grant</u>	<u>State Gas Tax</u>	<u>Local Transportation</u>	<u>Air Quality Management District</u>
<b>Assets:</b>				
Cash and investments	\$ -	\$ 110,587	\$ -	\$ 169,561
Accounts receivables	-	-	-	4,500
Loans receivable	867,007	-	-	-
Due from other governments	105,188	49,493	-	8,423
Prepaid items	-	2,424	-	-
<b>Total assets</b>	<u>\$ 972,195</u>	<u>\$ 162,504</u>	<u>\$ -</u>	<u>\$ 182,484</u>
<b>Liabilities and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,350	\$ 2,690	\$ -	\$ -
Accrued liabilities	3,971	7,239	-	-
Deferred revenue	867,007	-	-	-
Due to other funds	99,867	-	-	-
<b>Total liabilities</b>	<u>972,195</u>	<u>9,929</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Prepaid items	-	2,424	-	-
<b>Restricted:</b>				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Highway and Streets	-	150,151	-	182,484
Health and Welfare	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances (deficits)</b>	<u>-</u>	<u>152,575</u>	<u>-</u>	<u>182,484</u>
<b>Total liabilities and fund balances</b>	<u>\$ 972,195</u>	<u>\$ 162,504</u>	<u>\$ -</u>	<u>\$ 182,484</u>

See accompanying to the basic financial statements.



Proposition C Local Transit Assistance	Proposition A Local Transit Assistance	Special Revenue			Lighting and Landscaping	Total Nonmajor Governmental Funds
		Community Oriented Police Service	Housing Authority			
\$ -	\$ -	\$ 81,779	\$ 237,196	\$ 329,875	\$ 928,998	
-	-	-	-	-	4,500	
-	-	-	-	-	867,007	
-	-	12,706	-	29,058	204,868	
-	-	-	-	2,423	4,847	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,485</u>	<u>\$ 237,196</u>	<u>\$ 361,356</u>	<u>\$ 2,010,220</u>	
\$ 1,151	\$ 3,252	\$ -	\$ 1,441	\$ 5,356	\$ 15,240	
3,372	10,699	-	4,808	1,090	31,179	
-	-	-	-	-	867,007	
133,708	54,465	-	-	-	288,040	
<u>138,231</u>	<u>68,416</u>	<u>-</u>	<u>6,249</u>	<u>6,446</u>	<u>1,201,466</u>	
-	-	-	-	2,423	4,847	
-	-	94,485	-	-	94,485	
-	-	-	-	354,910	354,910	
-	-	-	-	-	332,635	
-	-	-	230,947	-	230,947	
<u>(138,231)</u>	<u>(68,416)</u>	<u>-</u>	<u>-</u>	<u>(2,423)</u>	<u>(209,070)</u>	
<u>(138,231)</u>	<u>(68,416)</u>	<u>94,485</u>	<u>230,947</u>	<u>354,910</u>	<u>808,754</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,485</u>	<u>\$ 237,196</u>	<u>\$ 361,356</u>	<u>\$ 2,010,220</u>	

See accompanying to the basic financial statements.

**CITY OF HAWAIIAN GARDENS**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2011**

	<b>Special Revenue</b>			
	<b>Community Development Block Grant</b>	<b>State Gas Tax</b>	<b>Local Transportation</b>	<b>Air Quality Management District</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ 247,412	\$ -	\$ 18,460
Intergovernmental revenues	640,229	283,950	-	-
Investment income	-	1,529	-	757
Other revenues	-	-	-	-
<b>Total revenues</b>	<b>640,229</b>	<b>532,891</b>	<b>-</b>	<b>19,217</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	35,308	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Highway and streets	-	602,934	-	-
Urban development	370,302	-	-	-
Health and welfare	-	-	-	-
Capital outlay	236,389	-	-	-
<b>Total expenditures</b>	<b>641,999</b>	<b>602,934</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	(1,770)	(70,043)	-	19,217
<b>Other financing sources (use):</b>				
Transfers in	1,770	217,787	25,429	-
Transfers out	-	(41,888)	-	-
<b>Total other financing sources (uses)</b>	<b>1,770</b>	<b>175,899</b>	<b>25,429</b>	<b>-</b>
Net change in fund balances	-	105,856	25,429	19,217
Fund balances (deficits), beginning of year	-	46,719	(25,429)	163,267
Fund balances (deficits), end of year	<u>\$ -</u>	<u>\$ 152,575</u>	<u>\$ -</u>	<u>\$ 182,484</u>

Proposition C Local Transit Assistance	Proposition A Local Transit Assistance	Special Revenue			Total Nonmajor Governmental Funds
		Community Oriented Police Services	Housing Authority	Lighting and Landscaping	
\$ 178,495	\$ 214,841	\$ -	\$ -	\$ 249,018	\$ 908,226
-	-	114,711	1,201,329	-	2,240,219
-	-	365	182	1,471	4,304
-	360,392	-	-	-	360,392
<u>178,495</u>	<u>575,233</u>	<u>115,076</u>	<u>1,201,511</u>	<u>250,489</u>	<u>3,513,141</u>
-	-	-	-	-	35,308
-	-	158,883	-	-	158,883
-	-	-	-	249,638	249,638
235,921	573,916	-	-	-	1,412,771
-	-	-	-	-	370,302
-	-	-	1,313,431	-	1,313,431
-	-	-	-	-	236,389
<u>235,921</u>	<u>573,916</u>	<u>158,883</u>	<u>1,313,431</u>	<u>249,638</u>	<u>3,776,722</u>
(57,426)	1,317	(43,807)	(111,920)	851	(263,581)
30,000	-	35,000	100,000	-	409,986
-	-	-	-	-	(41,888)
<u>30,000</u>	<u>-</u>	<u>35,000</u>	<u>100,000</u>	<u>-</u>	<u>368,098</u>
(27,426)	1,317	(8,807)	(11,920)	851	104,517
<u>(110,805)</u>	<u>(69,733)</u>	<u>103,292</u>	<u>242,867</u>	<u>354,059</u>	<u>704,237</u>
<u>\$ (138,231)</u>	<u>\$ (68,416)</u>	<u>\$ 94,485</u>	<u>\$ 230,947</u>	<u>\$ 354,910</u>	<u>\$ 808,754</u>

**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**Community Development Block Grant Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental revenues	\$ 495,722	\$ 640,229	\$ 144,507
<b>Expenditures:</b>			
Current:			
General government	35,000	35,308	(308)
Urban development	485,450	370,302	115,148
Capital outlay	515,139	236,389	278,750
Total expenditures	<u>1,035,589</u>	<u>641,999</u>	<u>393,590</u>
Deficiency of revenues under expenditures	(539,867)	(1,770)	538,097
<b>Other financing sources:</b>			
Transfers in	<u>30,000</u>	<u>1,770</u>	<u>(28,230)</u>
Net change in fund balance	(509,867)	-	509,867
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (509,867)</u>	<u>\$ -</u>	<u>\$ 509,867</u>

**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**State Gas Tax Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Taxes	\$ -	\$ 247,412	\$ 247,412
Intergovernmental revenues	388,308	283,950	(104,358)
Investment income	-	1,529	1,529
<b>Total revenues</b>	<b>388,308</b>	<b>532,891</b>	<b>144,583</b>
<b>Expenditures:</b>			
Current:			
Highways and streets	621,456	602,934	18,522
Excess (deficiency) of revenues over (under) expenditures	(233,148)	(70,043)	163,105
<b>Other financing sources (uses):</b>			
Transfers in	450,000	217,787	(232,213)
Transfers out	(150,000)	(41,888)	108,112
<b>Total other financing sources (uses)</b>	<b>300,000</b>	<b>175,899</b>	<b>(124,101)</b>
<b>Net change in fund balance</b>	<b>66,852</b>	<b>105,856</b>	<b>39,004</b>
Fund balance, beginning of year	46,719	46,719	-
Fund balance, end of year	<u>\$ 113,571</u>	<u>\$ 152,575</u>	<u>\$ 39,004</u>

**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**Local Transportation Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Other financing sources (uses):</b>			
Transfers in	\$ -	\$ 25,429	\$ 25,429
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	25,429	25,429
	<hr/>	<hr/>	<hr/>
Net change in fund balance	-	25,429	25,429
	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	(25,429)	(25,429)	-
	<hr/>	<hr/>	<hr/>
Fund balance (deficit), end of year	<u>\$ (25,429)</u>	<u>\$ -</u>	<u>\$ 25,429</u>

**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**Air Quality Management District Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Taxes	\$ 11,000	\$ 18,460	\$ 7,460
Investment income	-	757	757
	<u>11,000</u>	<u>19,217</u>	<u>8,217</u>
Total revenues			
Net change in fund balance	11,000	19,217	8,217
Fund balance, beginning of year	<u>163,267</u>	<u>163,267</u>	<u>-</u>
Fund balance, end of year	<u>\$ 174,267</u>	<u>\$ 182,484</u>	<u>\$ 8,217</u>

**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**Proposition C Local Transit Assistance Special Revenue Fund**  
**For the Year Euded June 30, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Taxes	\$ -	\$ 178,495	\$ 178,495
<b>Expenditures:</b>			
Current:			
Highways and streets	211,081	235,921	(24,840)
Deficiency of revenues under expenditures	(211,081)	(57,426)	153,655
<b>Other financing sources:</b>			
Transfers in	30,000	30,000	-
Net change in fund balance	(181,081)	(27,426)	153,655
Fund balance (deficit), beginning of year	(110,805)	(110,805)	-
Fund balance (deficit), end of year	<u>\$ (291,886)</u>	<u>\$ (138,231)</u>	<u>\$ 153,655</u>



**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**Proposition A Local Transit Assistance Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Taxes	\$       -	\$  214,841	\$  214,841
Other revenues	361,000	360,392	(608)
Total revenues	361,000	575,233	214,233
 <b>Expenditures:</b>			
Current:			
Highways and streets	531,097	573,916	(42,819)
Net change in fund balance	(170,097)	1,317	171,414
 Fund balance (deficit), beginning of year	(69,733)	(69,733)	-
 Fund balance (deficit), end of year	\$ (239,830)	\$ (68,416)	\$  171,414

**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**Community Oriented Police Services (COPS) Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental	\$ 116,346	\$ 114,711	\$ (1,635)
Investment income	-	365	365
	<hr/>	<hr/>	<hr/>
Total revenues	116,346	115,076	(1,270)
<b>Expenditures:</b>			
Current:			
Public Safety	<u>154,012</u>	<u>158,883</u>	<u>(4,871)</u>
Deficiency of revenues under expenditures	(37,666)	(43,807)	(6,141)
<b>Other financing sources:</b>			
Transfers in	<u>30,000</u>	<u>35,000</u>	<u>5,000</u>
Net change in fund balance	(7,666)	(8,807)	(1,141)
Fund balance, beginning of year	<u>103,292</u>	<u>103,292</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 95,626</u></u>	<u><u>\$ 94,485</u></u>	<u><u>\$ (1,141)</u></u>

**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**Housing Authority Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental revenues	\$ 1,179,803	\$ 1,201,329	\$ 21,526
Investment income	-	182	182
Total revenues	1,179,803	1,201,511	21,708
<b>Expenditures:</b>			
Current:			
Health and welfare	1,282,922	1,313,431	(30,509)
Excess (deficiency) of revenues over (under) expenditures	(103,119)	(111,920)	(8,801)
 Other financing sources:			
Transfers in	100,000	100,000	-
Net change in fund balance	(3,119)	(11,920)	(8,801)
Fund balance, beginning of year	242,867	242,867	-
Fund balance, end of year	<u>\$ 239,748</u>	<u>\$ 230,947</u>	<u>\$ (8,801)</u>

**CITY OF HAWAIIAN GARDENS**  
**Budgetary Comparison Schedule**  
**Lighting and Landscaping Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Taxes	\$ -	\$ 249,018	\$ 249,018
Investment income	-	1,471	1,471
Total revenues	-	250,489	250,489
<b>Expenditures:</b>			
Current:			
Public works	256,936	249,638	7,298
Net change in fund balance	(256,936)	851	257,787
Fund balance, beginning of year	354,059	354,059	-
Fund balance, end of year	<u>\$ 97,123</u>	<u>\$ 354,910</u>	<u>\$ 257,787</u>

**STATISTICAL SECTION**

**This page left blank intentionally.**

**CITY OF HAWAIIAN GARDENS**  
**Statistical Section (Unaudited)**  
**For the Year Ended June 30, 2011**

This part of the City of Hawaiian Gardens (City) 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.

**Contents**

**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.

**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.

**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.

**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.

**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.

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

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

	Fiscal Year		
	2011	2010	2009
<b>Governmental activities:</b>			
Invested in capital assets, net of related debt	\$36,451,627	\$ (3,524,365)	\$ (4,507,696)
Restricted	8,897,227	7,835,302	6,937,550
Unrestricted	(22,080,939)	18,950,754	17,433,710
<b>Total governmental activities net assets</b>	<u>\$23,267,915</u>	<u>\$ 23,261,691</u>	<u>\$ 19,863,564</u>

The City of Hawaiian Gardens implemented GASB 54 replacing GASB 34 presentation for the fiscal year ended June 30, 2011.

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



<b>Fiscal Year</b>				
<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
\$ (3,492,729)	\$ (6,487,493)	\$ (8,112,953)	\$ (8,382,519)	\$ (10,738,130)
5,707,857	4,395,094	3,241,677	2,492,902	1,980,322
13,124,836	12,401,215	11,473,212	8,208,447	9,893,035
<u>\$ 15,339,964</u>	<u>\$ 10,308,816</u>	<u>\$ 6,601,936</u>	<u>\$ 2,318,830</u>	<u>\$ 1,135,227</u>

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

	Fiscal Year		
	2011	2010	2009
<b>Expenses:</b>			
Governmental activities			
General Government	\$ 8,775,983	\$ 10,072,928	\$ 8,743,259
Public Safety	3,443,643	3,552,391	3,575,518
Public Works	1,550,686	1,764,726	1,821,252
Highways and Streets	1,454,659	1,830,911	2,759,782
Culture and Recreations	3,709,136	3,491,850	3,899,959
Urban Development	3,335,270	624,566	821,009
Health and Welfare	1,324,531	1,277,996	1,255,981
Interest and fiscal charges	2,127,469	2,208,365	2,324,079
Total governmental activities expense	<u>\$ 25,721,377</u>	<u>\$ 24,823,733</u>	<u>\$ 25,200,839</u>
<b>Program revenues:</b>			
Government activities:			
Charges for services:			
General government	\$ 3,273	\$ 8,416	\$ 350,998
Public Safety	1,000	98,194	208,209
Public Works	469,288	623,352	889,034
Culture and Recreations	114,225	104,572	120,450
Health and Welfare	2,145	195,253	129,483
Operating grants and contributions	3,580,784	3,982,760	3,651,069
Capital grants and contributions	3,265	627,892	529,850
Total governmental activities program revenues	<u>\$ 4,173,980</u>	<u>\$ 5,640,439</u>	<u>\$ 5,879,093</u>
<b>General revenues and other changes in net assets:</b>			
Governmental activities			
Taxes:			
Property taxes	5,966,338	6,405,122	6,960,788
Business license taxes	12,760,534	13,372,929	14,117,458
Sales taxes	654,284	625,572	705,319
Franchise taxes	186,371	182,528	181,547
Other taxes	124,417	67,964	31,514
Motor vehicle in lieu, unrestricted	1,317,884	1,339,490	1,454,009
Investment income	134,720	288,510	617,954
Other general revenues	409,073	64,766	88,010
Total governmental activities	<u>21,553,621</u>	<u>22,346,881</u>	<u>24,156,599</u>
Change in Net Assets	<u>\$ 6,224</u>	<u>\$ 3,163,587</u>	<u>\$ 4,834,853</u>

The City of Hawaiian Gardens implemented GASB 54 replacing GASB 34 presentation for the fiscal year ended June 30, 2011.

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				
2008	2007	2006	2005	2004
\$ 6,376,603	\$ 6,062,061	\$ 6,577,405	\$ 5,762,647	\$ 4,518,330
2,973,856	3,076,208	2,478,149	2,748,910	2,184,435
1,891,194	1,564,133	1,384,822	1,308,662	1,250,952
3,042,425	2,114,683	2,577,800	2,240,664	938,543
3,867,286	4,007,930	3,136,595	2,489,541	2,042,629
996,756	822,744	1,037,822	1,382,237	876,822
1,061,060	926,553	975,746	976,007	1,034,321
2,470,165	3,411,036	2,339,139	2,359,155	4,969,273
<u>\$ 22,679,345</u>	<u>\$ 21,985,348</u>	<u>\$ 20,507,478</u>	<u>\$ 19,267,823</u>	<u>\$ 17,815,305</u>
\$ 135,651	\$ 102,814	\$ 96,878	\$ 100,849	\$ 74,480
986,372	568,487	658,938	461,542	446,443
299,565	281,424	269,998	288,899	265,319
94,197	313,776	577,301	523,941	518,272
105,486	104,680	109,180	4,974	699
2,562,089	3,266,016	2,931,450	2,525,149	2,279,547
499,736	83,129	506,710	-	-
<u>\$ 4,683,096</u>	<u>\$ 4,720,326</u>	<u>\$ 5,150,455</u>	<u>\$ 3,905,354</u>	<u>\$ 3,584,760</u>
6,106,660	5,841,469	5,337,310	4,679,678	4,221,075
13,252,065	11,676,652	10,804,786	9,306,103	7,644,733
694,394	690,784	634,205	615,476	540,526
153,861	168,341	162,522	155,249	243,083
52,189	62,424	73,352	47,780	39,206
1,426,058	1,325,587	1,517,327	1,021,176	761,054
1,153,044	1,237,348	585,675	461,737	402,806
189,126	178,407	524,952	258,873	177,809
<u>23,027,397</u>	<u>21,181,012</u>	<u>19,640,129</u>	<u>16,546,072</u>	<u>14,030,292</u>
<u>\$ 5,031,148</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 Eight Fiscal Years**  
**(Modified accrual basis of Accounting)**

	Fiscal Year		
	2010	2009	2008
<b>General Fund:</b>			
Reserved	\$ 5,685,769	\$ 3,960,018	\$ 3,316,082
Unreserved	15,348,649	12,602,337	11,122,134
<b>Total General Fund</b>	<u>\$ 21,034,418</u>	<u>\$ 16,562,355</u>	<u>\$ 14,438,216</u>

<b>All other Governmental Funds:</b>			
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)
<b>Total All other Governmental Funds</b>	<u>\$ 69,555,883</u>	<u>\$ 59,739,962</u>	<u>\$ 48,380,540</u>

	2011
<b>General Fund:</b>	
Unassigned	<u>\$ 20,095,731</u>

<b>All other Governmental Funds:</b>	
Non-Spendable	\$ 4,847
Restricted:	
Public safety	94,485
Public works	2,855,060
Debt service	252,140
Highways and streets	332,635
Urban development	7,881,826
Health and welfare	230,947
Unsigned	15,614,961
	<u>\$ 27,266,901</u>

The City of Hawaiian Gardens implemented GASB 54 replacing GASB 34 presentation for the fiscal year ended June 30, 2011.

The City of Hawaiian Gardens implemented GASB 34 for the fosomal 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>\$ 31,129,248</u>	<u>\$ 21,833,034</u>	<u>\$ 13,149,230</u>	<u>\$ -</u>

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

	Fiscal Year		
	2011	2010	2009
<b>Revenues:</b>			
Taxes	\$ 7,990,645	\$ 9,464,075	\$ 10,265,584
Licenses and Permits	13,053,035	13,685,819	14,526,268
Intergovernmental	3,557,418	3,505,975	2,877,183
Foundation Contributions	-	504,800	529,850
Charges for Services	261,805	344,766	843,071
Fines and penalties	110,825	96,944	183,713
Rental Income	127,593	131,250	109,186
Investment Income	134,720	156,328	502,948
Other Revenue	507,906	83,801	143,299
Gain on sale of agency property	-	-	-
<b>Total Revenues</b>	<b>\$ 25,743,947</b>	<b>\$ 27,973,758</b>	<b>\$ 29,981,102</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government	\$ 7,081,365	\$ 9,016,829	\$ 7,723,707
Public Safety	3,441,839	3,549,856	3,572,983
Public Works	1,532,211	1,557,724	1,306,535
Highways and Streets	1,412,771	1,257,060	1,323,897
Culture and Recreations	3,426,149	3,173,330	3,525,838
Urban Development	370,302	624,566	820,063
Health and Welfare	1,313,431	1,269,548	1,247,533
Capital Outlay	3,990,791	1,294,095	4,451,112
<b>Debt Service:</b>			
Principal	1,140,000	2,245,000	2,340,000
Interest	2,637,270	2,729,483	2,777,543
Payment to bond escrow agent	-	-	-
Cost of issuance	-	-	-
Bond premiums and discounts	-	-	-
<b>Total Expenditures</b>	<b>\$ 26,346,129</b>	<b>\$ 26,717,491</b>	<b>\$ 29,089,211</b>
<b>Excess (deficiency) of Revenues over (under) Expenditures</b>	<b>\$ (602,182)</b>	<b>\$ 1,256,267</b>	<b>\$ 891,891</b>
<b>Other Financing Sources (uses):</b>			
Transfers in	1,980,053	3,216,017	3,092,410
Transfers out	(1,980,053)	(3,216,017)	(3,092,410)
Sale of Property	-	-	-
Issuance of Long-Term Debt	-	-	-
Payment to Bond Escrow Agent	-	-	-
Bond Premium	-	-	-
<b>Total other Financing Sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ (602,182)</b>	<b>\$ 1,256,267</b>	<b>\$ 891,891</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>20.33%</b>	<b>24.33%</b>	<b>26.22%</b>

The City of Hawaiian Gardens implemented GASB 54 replacing GASB 34 presentation for the fiscal year ended June 30, 2011.

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					
2008	2007	2006	2005	2004	
\$ 8,071,962	\$ 7,842,778	\$ 7,084,914	\$ 6,354,896	\$ 5,748,930	
14,257,240	12,280,520	11,490,064	9,824,414	8,225,915	
3,305,467	3,768,272	3,704,233	2,816,312	2,333,356	
499,250	83,150	506,710	5,940	5,670	
103,602	87,900	90,381	79,748	49,764	
159,332	168,314	176,779	130,773	117,367	
145,003	141,426	1,005,169	977,859	996,605	
1,153,044	1,237,348	585,785	473,692	402,806	
232,753	341,491	466,147	247,392	197,056	
-	-	140,002	-	-	
<u>\$ 27,927,653</u>	<u>\$ 25,951,199</u>	<u>\$ 25,250,184</u>	<u>\$ 20,911,026</u>	<u>\$ 18,077,469</u>	
\$ 5,371,729	\$ 4,935,292	\$ 4,718,045	\$ 4,730,487	\$ 3,823,732	
2,960,771	3,073,673	2,475,614	2,731,411	2,181,900	
1,275,918	1,207,237	1,204,851	1,237,449	1,013,922	
1,242,829	1,660,678	2,220,587	5,970,605	938,543	
3,419,025	3,126,003	2,726,177	2,381,893	1,983,416	
1,250,831	1,050,126	1,673,136	1,382,237	876,822	
1,050,616	916,166	969,686	967,713	1,029,550	
10,182,424	3,228,704	1,822,340	1,318,204	1,181,960	
3,320,000	705,000	630,000	600,000	570,000	
2,802,535	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>\$ 32,876,678</u>	<u>\$ 23,835,424</u>	<u>\$ 21,241,871</u>	<u>\$ 24,248,930</u>	<u>\$ 20,849,803</u>	
\$ (4,949,025)	\$ 2,115,775	\$ 4,008,313	\$ (3,337,904)	\$ (2,772,334)	
6,957,342	11,527,855	2,136,556	1,861,413	4,298,522	
(6,957,342)	(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>-</u>	<u>8,859,389</u>	<u>240,973</u>	<u>-</u>	<u>7,200,538</u>	
<u>\$ (4,949,025)</u>	<u>\$ 10,975,164</u>	<u>\$ 4,249,286</u>	<u>\$ (3,337,904)</u>	<u>\$ 4,428,204</u>	
36.95%	21.85%	21.46%	18.19%	31.98%	

**This page left blank intentionally.**



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

<b>Fiscal Year Ended June 30</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Less: Exemptions</b>	<b>Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
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%
2011	642,404,316	32,291,645	(37,369,064)	637,326,897	0.92%

Notes:

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

Source for Direct Tax Rate: Hdl Coren & Cone

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

	<u>01/02</u>	<u>02/03</u>	<u>03/04</u>	<u>04/05</u>
Basic Levy (1)	1.00000	1.00000	1.00000	1.00000
Abc Unified School District	0.02496	0.02779	0.02490	0.02657
Cerritos Community College District	0.00000	0.00000	0.00000	0.01908
County Detentions Facility 1987 Debt	0.00113	0.00103	0.00099	0.00092
LA County Flood Control	0.00107	0.00088	0.00046	0.00025
Long Beach Community College District	0.00000	0.00000	0.01171	0.01239
Long Beach Unified School District	0.02878	0.03519	0.04285	0.04667
Metropolitan Water District	0.00770	0.00670	0.00610	0.00580
Total Direct and Overlapping Tax Rates	<u>\$ 1.06364</u>	<u>\$ 1.07159</u>	<u>\$ 1.08701</u>	<u>\$ 1.11168</u>
City's Share of 1% Levy Per Prop 13 (2)	0.05602	0.05602	0.05602	0.05602
Redevelopment Rate (3)	1.00990	1.00861	1.00755	1.00697
Total Direct Rate (4)	0.86100	0.87139	0.88208	0.89231

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

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

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

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

Source: Hdl, Coren & Cone

<u>05/06</u>	<u>06/07</u>	<u>07/08</u>	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.02745	0.02427	0.02434	0.02388	0.02695	0.02920
0.02424	0.02392	0.01071	0.00994	0.01854	0.02677
0.00080	0.00066	0.00000	0.00000	0.00000	0.00000
0.00005	0.00005	0.00000	0.00000	0.00000	0.00000
0.01857	0.01153	0.01839	0.02181	0.02392	0.02559
0.04075	0.03811	0.03457	0.03220	0.08663	0.08834
0.00520	0.00470	0.00450	0.00430	0.00430	0.00370
<u>\$ 1.11706</u>	<u>\$ 1.10324</u>	<u>\$ 1.09251</u>	<u>\$ 1.09213</u>	<u>\$ 1.16034</u>	<u>\$ 1.17360</u>
0.05602	0.05602	0.05602	0.05602	0.05602	0.05602
1.00604	1.00541	1.00450	1.00430	1.00430	1.00370
0.91096	0.92027	0.92833	0.9302	0.92373	0.92038

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

<b>Taxpayer</b>	<b>2011</b>		<b>2002</b>	
	<b>Taxable Assessed Value</b>	<b>Percent of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Percent of Total City Taxable Assessed Value</b>
Cerritos Gardens General Hospital Company	\$ 21,300,481	3.47%	\$ 16,939,246	4.68%
Irving I Moskowitz Foundation	17,015,257	2.77%		
Urdang and Cadence Hawaiian Gardens LLC	14,545,789	2.37%		
ESS PRISA III Owner LLC	13,792,307	2.24%		
Stanton H. Wong trust	9,741,597	1.59%		
Hawaiian Gardens Square	9,552,841	1.56%	5,276,000	1.46%
Whelan Investments NC	8,738,497	1.42%	5,619,050	1.55%
Colton Hawaiian Gardens LLC	8,503,240	1.39%		
DV Properties	8,492,203	1.38%		
John E. and Linda M. Franklin Trust	8,115,254	1.32%		
JJJ Enterprise Limited			7,577,000	2.09%
Norwalk Carson Associates LLC			6,683,950	1.85%
Hawaiian Gardens Apartments			5,823,770	1.61%
Susa Partnership LP			5,756,020	1.90%
KV 99 LLC			4,386,000	1.21%
AU Zone Investment No 2 LP			4,323,476	1.19%
CCGMNG I LLC			4,250,000	1.17%

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**

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy</b>	<b>Collected within the Fiscal Year of Levy</b>	<b>Collections to Date</b>	
		<b>Amount</b>	<b>Amount</b>	<b>Percent of Levy</b>
2002	\$ 3,346,964	\$ 3,230,670	\$ 3,500,785	104.60%
2003	3,701,941	3,663,753	3,914,370	105.74%
2004	4,017,233	3,927,253	4,217,483	104.98%
2005	4,321,601	4,217,492	4,814,627	111.41%
2006	5,600,231	5,249,349	5,600,231	100.00%
2007	6,247,897	6,038,110	6,247,897	100.00%
2008	6,974,541	6,360,735	6,639,234	95.19%
2009	7,090,207	6,784,066	7,090,207	100.00%
2010	6,405,122	6,112,627	6,405,122	100.00%
2011	6,420,477	5,957,702	6,229,058	97.02%

**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 Eight Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Total Casino Fee</b>	<b>Collected within the Fiscal Year of Revenue</b>		<b>Collections in Subsequent Years</b>	<b>Collections to Date</b>	
		<b>Amount</b>	<b>Percent of Fee</b>		<b>Amount</b>	<b>Percent of Fee</b>
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%
2011	12,257,795	11,248,446	91.77%	1,009,349	12,257,795	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 eight years of data for this schedule.

Source: HDL Coren & Cone

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

<u>Outstanding General Bonded Debt</u>					
<b>Fiscal Year Ended June 30</b>	<b>Tax Allocation Bonds (1)</b>	<b>Certificates of Participation</b>	<b>Total</b>	<b>Percentage of Personal Income (1)</b>	<b>Debt Per Capita (1)</b>
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
2011	42,590,000	-	42,590,000	19%	2,681

(1) 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		
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
2011	42,590,000	-	42,590,000	6.68%	2,681

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, 2011**

Overlapping Debt:	<u>Debt Outstanding</u>	<u>Percent Applicable to City</u>	<u>Estimated Share of Overlapping Debt</u>
Metropolitan Water District	\$ 107,259,876	0.006%	\$ 6,420
Cerritos CC DS 2004 Series A	2,930,000	1.824%	53,438
Cerritos CC DS 2005 Refunding Bonds	22,358,702	1.824%	407,781
Cerritos CC DS 2004 Series 2006	30,645,000	1.824%	558,908
Cerritos CC DS 2004 Series 2009 C	53,635,000	1.824%	978,202
ABC Unified School District 2003 Refunding Bonds	15,530,000	5.477%	850,574
ABC Unified School District 2010 Refunding Bonds	10,670,000	5.477%	584,393
ABC Unified School District 1997 Series B	29,626,700	5.477%	<u>1,622,646</u>
 Total overlapping debt:			 5,062,362
 City of Hawaiian Gardens direct debt at 6/30/11			 <u>42,590,000</u>
 Total direct and overlapping debt			 <u><u>\$ 47,652,362</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			
	2011	2010	2009	2008
Debt Limit	\$23,899,759	\$ 23,728,627	\$ 26,873,372	\$ 26,154,528
Total net debt applicable to limit	-	-	-	-
Legal Debt Margin	23,899,759	23,728,627	26,873,372	26,154,528
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	\$637,326,897
Debt limit (3.75% of assessed value)	<u>23,899,759</u>
Debt applicable to limit:	
General Obligation Bonds	-
Legal debt margin	\$23,899,759

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**

<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
\$ 23,492,613	\$ 21,000,865	\$ 17,999,645	\$ 16,419,724	\$ 15,029,613	\$ 14,204,650
-	-	-	-	-	-
23,492,613	21,000,865	17,999,645	16,419,724	15,029,613	14,204,650
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

<b>Calendar Year</b>	<b>Population (1)</b>	<b>Personal Income In Thousands (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Unemployment Rate (3)</b>
2002	14,968	\$ 164,426	\$ 10,985	6.10%
2003	15,288	168,238	11,005	7.20%
2004	15,544	173,068	11,134	7.50%
2005	15,657	178,551	404	7.00%
2006	15,758	183,803	11,664	6.10%
2007	15,788	190,257	12,051	5.40%
2008	15,767	194,056	12,308	5.70%
2009	15,784	195,202	12,367	8.40%
2010	15,825	192,757	12,181	13.00%
2011	15,884	221,884	13,969	14.20%

Source: HDL Coren and Cone

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

<b>Employer</b>	<b>2011</b>		<b>2008</b>	
	<b>Number of Employees</b>	<b>Percent of Total Employment</b>	<b>Number of Employees</b>	<b>Percent of Total Employment</b>
Hawaiian Gardens Card Club	1,170	15.6000%	1,000	14.81%
Tri-City Medical Center	300	4.0000%	300	4.44%
ABC Unified School District	200	2.6667%	40	0.59%
Kroger Co.	113	1.5067%	60	0.89%
City of Hawaiian Gardens	80	1.0667%	80	1.19%
Total Building Care, Inc.	70	0.9333%		
Cypress Garden Villas	70	0.9333%	70	1.04%
Howard Contracting Inc.	50	0.6667%	50	0.74%
Richmond Plastering Inc.	50	0.6667%	50	0.74%
Patchman Inc.	45	0.6000%		
Jose Villaflor	35	0.4667%	35	0.52%
99 Cents Store			25	0.37%
Jack in the Box			29	0.43%

Source: Community Development Department

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

<u>Function</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Government	11	16	16	15	18	19	19	19
Public Safety	7	6	6	6	6	6	6	6
Public Works	8	8	8	8	6	11	11	11
Culture and Recreation	40	36	36	35	36	30	30	30
Highways and Streets	6	6	6	6	6	6	6	6
Urban Development	8	9	9	9	7	9	9	9
Total	<u>80</u>	<u>81</u>	<u>81</u>	<u>79</u>	<u>79</u>	<u>81</u>	<u>81</u>	<u>81</u>

Source: City of Hawaiian Gardens Finance Department

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

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

	Fiscal Year		
	2011	2010	2009
<b>Police:</b>			
Physical arrests	542	706	584
Parking violations	1,783	1,918	2,647
Traffic violations	1,824	2,304	1,791
<b>Highways and streets:</b>			
Street resurfacing (miles)	0	1	1
Potholes repaired	62	72	86
<b>Human Service-Senior Citizens Program:</b>			
Classes and Activities:	200	190	193
Number of Participants	36,500	36,000	38,107
Excursions	30	38	34
Number of Participants	1,000	1,500	1,375
Special Events	19	19	20
Number of Participants	4,000	3,200	3,022
<b>Human Services-Transportation:</b>			
Number of Passengers	20,000	16,390	31,004
Mileage	68,000	63,320	76,289
<b>Human Services-Recreation:</b>			
Classes and Activities:	211	201	186
Number of Participants	87,000	85,000	80,434
Special Events	28	24	22
Number of Participants	29,000	27,000	14,699
Number of Facility Rentals	22	19	21

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

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

Fiscal Year		
2008	2007	2006
686	486	527
2,885	258	2,028
1,837	1,750	1,087
1	2	1
72	89	78
195	191	190
38,200	34,206	32,396
35	32	27
1,400	1,214	969
21	21	21
2,910	2,234	1,917
31,356	31,027	28,148
77,770	76,083	75,570
182	178	180
79,565	77,094	78,016
22	21	21
15,010	11,430	11,005
23	18	26



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

<u>Function</u>	<u>Fiscal Year</u>						
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public safety:							
Vehicles	3	3	3	3	3	3	3
Public works:							
Vehicles	31	31	31	31	28	29	28
Highways and streets:							
Streets (miles)	17	16	16	16	16	16	16
Traffic Signals	15	15	15	15	15	15	15
Culture and recreations:							
Vehicles	1	2	2	2	2	2	3
Parks acreage	13	13	13	13	13	13	13
Parks	3	3	3	3	3	3	3
Swimming pools	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1
Health and welfare:							
Vehicles	7	5	5	5	6	6	4

Source: City of Hawaiian Gardens various departments.

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