

**CITY OF HAWAIIAN GARDENS,
CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

CITY OF HAWAIIAN GARDENS

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INTRODUCTORY SECTION

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CITY OF HAWAIIAN GARDENS

September 17, 2013

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 financial 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, 2012. This year's report is considerably late due to turnover in the Finance department and the need to deal with the dissolution of the Redevelopment Agency which delayed the completion of the audit.

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 the firm of White Nelson Diehl Evans LLP, 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, 2012, 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, 2012, 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

Members of the City Council and Residents of the City of Hawaiian Gardens:
September 17, 2013

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.

Generally Accepted Accounting Principles (GAAP) require 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 14,300.

The City has operated under the Council-Manager/Administrator form of government since 1964. In 2012 the position of City Administrator was changed to City Manager. 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 Manager and City Attorney. The City Manager 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 City 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 County 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 housing authority and a public financing authority, both of which are reported separately within the City's financial statements. Additionally, the Redevelopment Agency was active for seven months of the fiscal year and the activity of that Agency has been blended within the City's Financial Statements. The City is only accountable for the first seven months of the Redevelopment Agency and is not financially responsible for the Successor Agency to the Redevelopment Agency. 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 Manager during the month of March. The City Manger uses these requests as the starting point for developing a Preliminary Budget. The City Manager then presents this proposed budget to the council for review during the month of May. The City Council holds public hearings on the Preliminary Budget and approves a final Adopted Budget by no later than June 30, the close of the City's fiscal year. The Adopted 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 and project management controls. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

Factors Affecting Financial Condition

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

Local economy. The decline of the national and state economies has had a financial impact on the City. The City’s major revenue base is the license fee of the Hawaiian Gardens Casino; this revenue declined during the fiscal year. The casino license fee decreased by \$19,596 (about -0.16%) compared to the previous year. Following is a summary which shows each month’s license fee revenue compared to the prior year.

Hawaiian Gardens Casino			
License Fee Revenue			
	FY 2010/11	FY 2011/12	Change
July	1,038,878	1,068,495	2.85%
August	1,021,351	1,018,659	-0.26%
September	961,186	1,001,318	4.18%
October	997,192	1,020,925	2.38%
November	980,140	1,015,279	3.59%
December	1,016,811	1,066,309	4.87%
January	1,020,390	1,025,921	0.54%
February	974,422	961,889	-1.29%
March	1,119,047	1,076,806	-3.77%
April	1,083,221	1,024,789	-5.39%
May	1,035,809	1,003,871	-3.08%
June	1,009,349	953,939	-5.49%
Total	\$ 12,257,796	\$ 12,238,200	-0.16%

During Fiscal Year 2011-2012 in anticipation of the decline in casino license fee revenue, the City approved only those capital projects which were fully funded and all programs of the Human Services Department were maintained at the same level as the previous year.

Members of the City Council and Residents of the City of Hawaiian Gardens:
September 17, 2013

Long-term financial planning. The City established a Fiscal Policy in 2000 which provided for the establishment of several reserves. However with the implementation of a change in accounting principles for the fiscal year ended June 30, 2011 (Governmental Accounting Standards Board (GASB) statement number 54) the reserve established by the Fiscal Policy (as amended in June of 2011) did not meet the standards of GASB 54 because it did not provide the specific contingencies for the use of the committed fund balances (reserves). As a result the amounts which had been reserved in prior years had to be included in the “Unassigned Fund Balance” of the General Fund. A new Fund Balance policy adopted in June of 2013 will apply to the financial statements effective with the fiscal year ended June 30, 2013. This policy provides for two specific “Commitments of Fund Balance” (reserves), including a \$15 million “General Fund Committed Fund Balance” (reserve) and a \$750,000 “General Fund Equipment Replacement Committed Fund Balance” (reserve). The annual contribution was increased to \$1.1 million per year until both are fully funded.

During Fiscal Year 2011-2012, the State dissolved the Redevelopment Agency and established Successor Agencies to carry on the legal obligations of the Redevelopment Agency. The City opted to establish its own Successor Agency to the former Hawaiian Gardens Redevelopment Agency and transferred the responsibilities formerly carried out by the Low and Moderate Income Housing Set-Aside Fund to the City’s Housing Authority. All of the cash from this fund was transferred to the Successor Agency and following a special Due Diligence Review (DDR), in February 2013 this cash was transferred to the County Auditor to be paid to the taxing agencies. The only asset of the fund allowed to be transferred to the new Housing Successor Agency was the future proceeds from repayment of the \$2,950,050 loan between the Redevelopment Agency and the Low and Moderate Income Housing Set-Aside Fund. This advance is expected to be repaid over time starting in Fiscal Year 2013-2014 from tax increment received by the Successor Agency. The amount of the loan payments must be listed on each semi-annual ROPS (Required Obligation Payment Schedule) and approved by the Successor Agency Oversight Board and the State Department of Finance.

Revenues are expected to further decline in Fiscal Year 2012-2013 and this reduced level of funding is expected to continue into Fiscal Year 2013-14. Revenues are not expected to stabilize until after Fiscal Year 2014-15 and the City will continue to operate with a reduced level of funding from what has been available in prior years. In anticipation of this, over the past several fiscal years the City has been reducing certain expenses in order to maintain an equivalent level of service to the Public. To maintain services capital projects are being limited to those which are paid for by state or federal grants.

Major Initiatives. In Fiscal Year 2011-12, the City substantially completed a project that will enhance the quality of life for the residents of the City, the Fedde Sports complex which is a joint project owned by the School District. The project resulted in the improvement and enhancement of the fields at Fedde Middle School. During Fiscal Year 2009-2010, 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

Members of the City Council and Residents of the City of Hawaiian Gardens:
September 17, 2013

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.

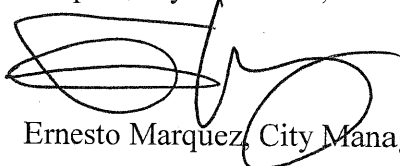
The City secured \$3 million of outside funding for this project in the form of donations and grants. As of June 30, 2012, \$6,601,357 had been spent for the Project. The City's share for this project was approximately \$3.8 million. While additional phases were considered for this project, only this first phase (as previously described) has been approved. In future years, the City will determine whether additional phases of the Sports Complex are feasible.

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, 2011. 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. Due to the considerable delay in preparing this audit the City will not be submitting this year for a Certificate of Achievement for Excellence in Financial Reporting.

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

Respectfully submitted,



Ernesto Marquez, City Manager

CITY OF HAWAIIAN GARDENS
List of Elected and Appointed Officials
Fiscal Year Ended June 30, 2012

Elected Officials

Mayor
Mayor Pro Tem
Councilmember
Councilmember
Councilmember

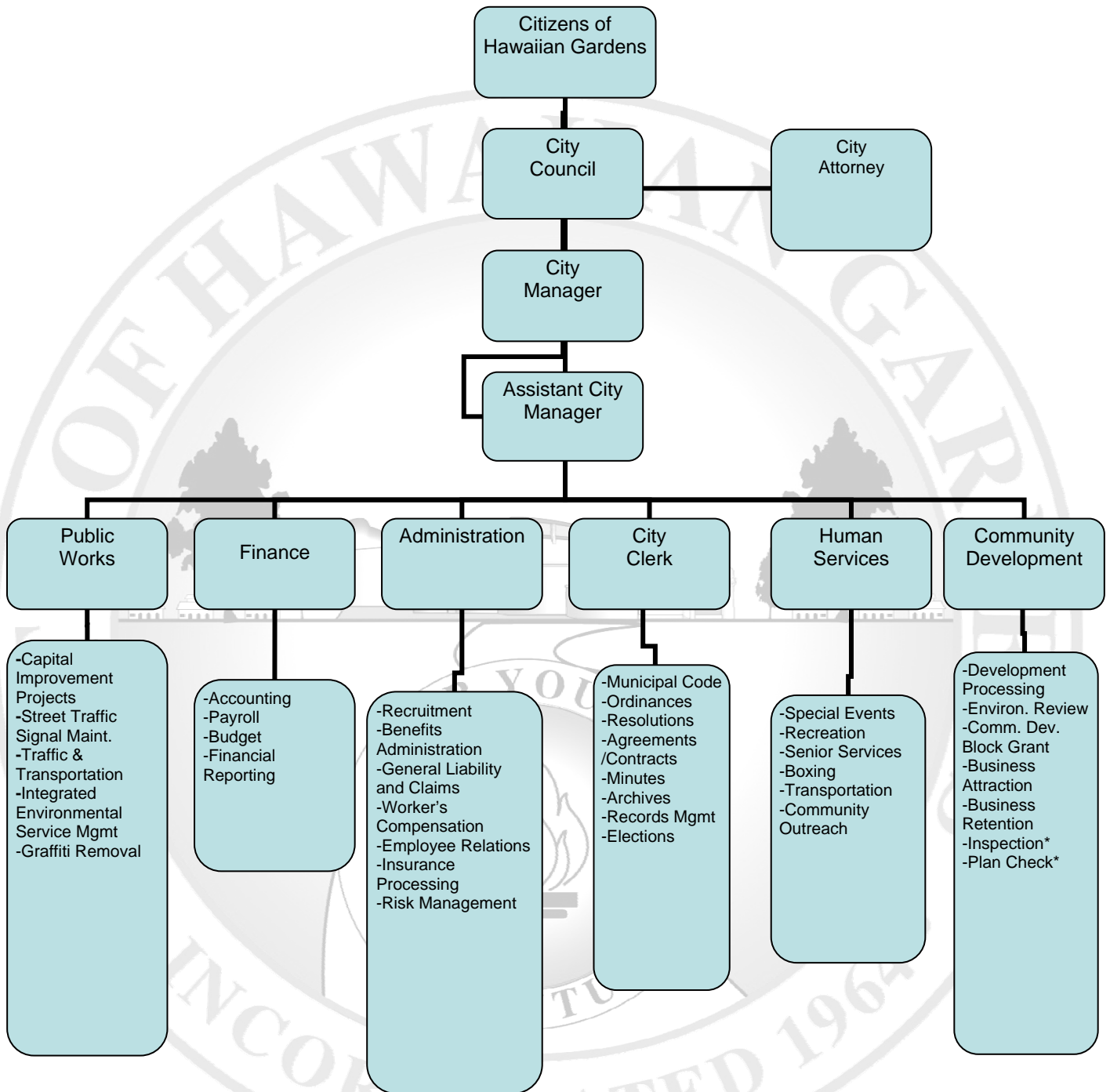
Michael S. Gomez
Victor A. Farfan
Michiko Oyama-Canada
Reynaldo Rodriguez
Barry Bruce

Appointed Officials

City Manager
City Attorney
City Clerk
Community Development Director
Finance Director/Treasurer
Human Resources Manager
Human Services Director
Public Works Superintendent

Ernesto Marquez
Omar Sandoval
Sue Underwood
Joseph Colombo
David D. Sung
Vacant
Steve J. Gomez
Joe Vasquez

City of Hawaiian Gardens
 Organization Chart
 June 30, 2012



*Contract Services
 **County Service

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, 2011

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.



Christopher P. Morill
President

Jeffrey L. Essex
Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Hawaiian Gardens
Hawaiian Gardens, California

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 (the City), California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hawaiian Gardens' 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hawaiian Gardens, California, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, the Hawaiian Gardens Redevelopment Agency (the Dissolved RDA), a blended component unit of the City, was dissolved effective February 1, 2012 as a result of legislation enacted by the State of California. In connection with the dissolution, the State Controller's Office has been directed to review the propriety of any transfers of assets between the Dissolved RDA and other public bodies that occurred after January 1, 2011. If it is determined that the transferred assets are not contractually committed, the State Controller's Office is required to order that the assets be transferred to the Successor Agency. In addition, management has deemed obligations of the Dissolved RDA due to the City as valid enforceable obligations payable by the Successor Agency under requirements of Assembly Bill 1x 26. The City's position on this issue is not a position of settled law. The accompanying statements do not reflect any adjustments that might result from the outcome of these uncertainties.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2013 on our consideration of the City of Hawaiian Gardens' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, the budgetary comparison schedules, and the schedule of funding progress, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is 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 management's discussion and analysis and the schedule of funding progress 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements taken as a whole.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Hawaiian Gardens, California as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

White Nelson Dick Evans LLP

Irvine, California
September 17, 2013

CITY OF HAWAIIAN GARDENS

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

This section of the City's Comprehensive Annual Financial Report provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal and in the City's financial statements.

FINANCIAL HIGHLIGHTS

Discussed below are financial highlights of the City for the fiscal year ended June 30, 2012. Details related to these highlights are found in the following sections of this discussion and analysis.

As of January 31, 2012, all Redevelopment Agencies in the State of California were dissolved. Cities had the option of becoming a Successor Agency or not. The City elected to become a Successor Agency, and all former Redevelopment Agency assets and debts are now reported as a Successor Agency Private Purpose Trust Fund. Private Purpose Trust Funds are not reflected in the government-wide financial statements; consequently, there are major variances between the fiscal year 2010-11 and fiscal year 2011-12 amounts to reflect this change.

Citywide

- Net assets, the amount by which total assets exceed total liabilities, equal \$60,481,545. Assets totaled \$63.0 million and liabilities totaled \$1.7 million.
- The City's net assets increased by \$37,151,875 over last years' total of \$23,329,670. This increase is comprised of a \$37.9 million extraordinary gain from the dissolution of the redevelopment agency with an offsetting operating loss of \$0.7 million.
- The citywide operating loss of \$715,968 resulted from operating expenses of \$23.8 million exceeding operating revenues of \$23.1 million.

Fund Level - Governmental Funds

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,383,743.
- The fund balance of governmental funds decreased by \$3,883,158 from the prior year. This decrease is comprised of a \$3.1 million extraordinary loss from the dissolution of the redevelopment agency, a \$955,000 decrease in the General Fund's fund balance, and an offsetting increase of other funds' fund balances of \$203,000.

Fund Level - Fiduciary Funds

- The City elected to become a Successor Agency to the former Redevelopment Agency upon the Redevelopment Agency's dissolution on January 31, 2012. The Successor Agency's assets, liabilities, and activities are recorded in a Private Purpose Trust Fund and are not combined with the Citywide statements nor with the Governmental Funds statements. Refer to pages 23-24 for details about this fund.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2012

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 other (non-major) governmental funds. This discussion and analysis serves as an introduction to the City's basic financial statements.

The basic financial statements include two types 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 and reports on 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 net assets. Over time, *increases and decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. To assess the *overall health* of the City, other non-financial factors (e.g., the condition of the City's roads or changes in the City's revenue base) need to be considered.

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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

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. The differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* are identified within reconciliations which immediately follow the governmental funds' financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		
	2012	2011*	Change
Current and other assets	\$ 27,701,834	\$ 31,147,616	\$ (3,445,782)
Capital assets, net of depreciation	34,476,494	36,069,696	(1,593,202)
Total Assets	62,178,328	67,217,312	(5,038,984)
Long-term debt outstanding	844,558	43,117,975	(42,273,417)
Other liabilities	852,225	769,667	82,558
Total Liabilities	1,696,783	43,887,642	(42,190,859)
Net assets:			
Invested in capital assets	34,476,494	36,069,696	(1,593,202)
Restricted	5,067,991	8,897,227	(3,829,236)
Unrestricted	20,937,060	(21,637,253)	42,574,313
Total Net Assets	\$ 60,481,545	\$ 23,329,670	\$ 37,151,875

Certain reclassifications have been made to conform the prior year data to the current year's presentation.

The net assets (financial position) of the City changed significantly during fiscal year 2011-12, reporting net assets of \$60.5 million at the end of the fiscal year, an increase of \$37.2 million. As a result of the dissolution of the Redevelopment Agency, the City transferred the liability and assets of the former Redevelopment Agency to the Successor Agency (see the Private Purpose Trust Fund Fiduciary Statement). The elimination of these assets and liabilities resulted in a \$37.9 million increase to net assets.

The increase in net assets due to the dissolution of the Redevelopment Agency is offset by a \$0.7 million operating loss in continuing operations of the City as a result of the revenue and expense fluctuations described below. Although the City cut operating expenses by \$1.9 million, operating revenues decreased by \$2.6 million, resulting in an overall operating loss. The main reason for the decline in operating revenue is due to a \$3.4 million decrease in property tax revenue resulting from the loss of tax increment revenue formerly received through the redevelopment agency.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

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

	Governmental Activities		
	2012	2011*	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 814,401	\$ 836,050	\$ (21,649)
Operating grants and contributions	3,982,145	3,445,490	536,655
Capital contributions and grants	321,527	3,265	318,262
General Revenues:			
Property taxes	3,793,578	7,211,331	(3,417,753)
Business license tax	12,738,887	12,760,534	(21,647)
Motor vehicle in lieu, unrestricted	7,877	72,891	(65,014)
Sales tax	723,098	654,284	68,814
Other general revenues	700,463	743,756	(43,293)
Total Revenues	23,081,976	25,727,601	(2,645,625)
Expenses:			
General government	6,191,160	8,775,983	(2,584,823)
Public safety	3,398,478	3,443,643	(45,165)
Public works	1,775,077	1,550,686	224,391
Highways and streets	1,437,639	1,454,659	(17,020)
Culture and recreation	7,686,306	6,352,660	1,333,646
Urban development	658,504	691,746	(33,242)
Health and welfare	1,434,204	1,324,531	109,673
Interest and fiscal charges	1,216,576	2,127,469	(910,893)
Total Expenses	23,797,944	25,721,377	(1,923,433)
Increase (decrease) in net assets before extraordinary gain	(715,968)	6,224	(722,192)
Extraordinary gain on dissolution of RDA	37,867,843	-	37,867,843
Increase in net assets	37,151,875	6,224	37,145,651
Net assets at beginning of year	23,329,670	23,323,446	6,224
Net assets at end of year	\$ 60,481,545	\$ 23,329,670	\$ (715,968)

*Certain reclassifications have been made to conform the prior year data to the current year's presentation.

Governmental Activities

Revenues decreased 10.3 percent (\$2.6 million), from \$25,727,601 in 2011 to \$23,081,976 in 2012. Total governmental activity expenses decreased 7.5 percent (\$1.9 million), from \$25,721,377 in 2011 to \$23,797,944 in 2012. The reasons for significant changes in the revenues and expenses of the City's governmental activities are as follows:

- Operating Grants and Contributions increased by \$537,000, mainly as a result of receiving a grant of \$800,000 in 2011-12 versus \$261,000 in 2010-11 for the Fedde Sports Complex.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

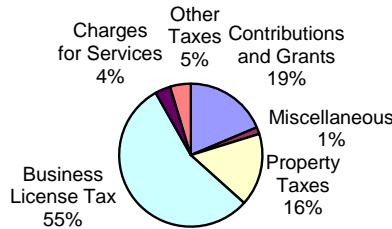
MANAGEMENT’S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

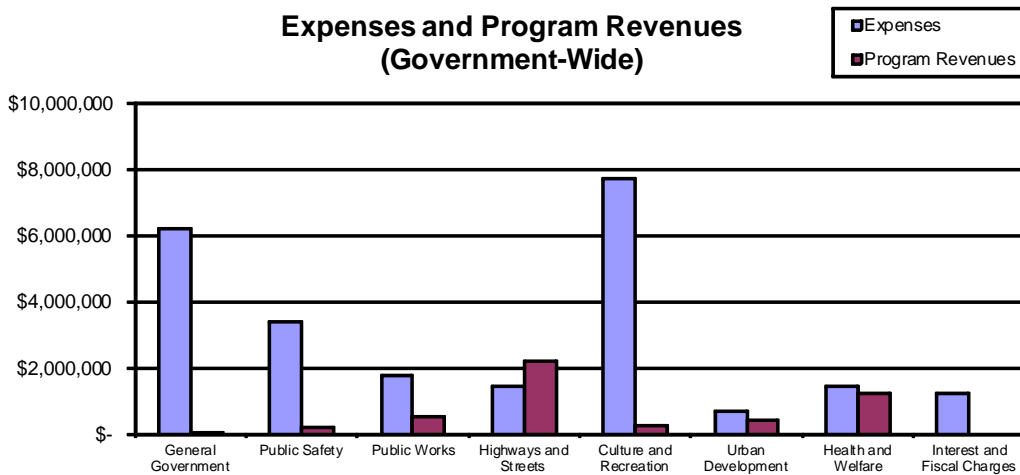
- Property Tax Revenue decreased by \$3,418,000 resulting from the loss of tax increment revenue formerly received through the redevelopment agency.
- General Government expenses decreased by \$2.6 million. The majority of this decrease (\$1.7 million) is a result of moving the operations of the former Redevelopment Agency to the Successor Agency Private Purpose Trust Fund. The remainder of the decrease is due to effective cost control measures taken by the City in anticipation of the loss of redevelopment revenues.
- Culture and Recreation expenses increased by \$1.3 million, mainly as a result of spending an additional \$1.1 million over the prior year 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 (55%) followed by Property Taxes (16%) and Contributions and Grants (19%). Culture and Recreation is the largest expense function, accounting for 32% of the total. General Government is the second largest expense function (26% of the total) followed by Public Safety (14% of the total).

Revenues by Source (Government-Wide)



Expenses and Program Revenues (Government-Wide)



See independent auditors’ report.

CITY OF HAWAIIAN GARDENS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

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 \$19,214,814, a decrease of \$955,258 from the prior year's restated balance of \$20,170,072. 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 146 percent of the general fund's expenditures.

Total general fund expenditures stayed stable showing an increase of only \$39,000 over the prior year while total general fund revenues were \$705,000 higher than the prior year. Significant changes in the City's General Fund revenues and expenditures are as follows:

- Tax revenue increased by \$179,000 as a result of increased property tax, sales tax, and transient occupancy tax revenues.
- Intergovernmental revenues increased by \$483,000 as a result of receiving a larger grant for construction of the Fedde Sports Complex than was received in the prior year.
- General government expenditures decreased by \$289,000 as a result of cost control measures being effectively used throughout the City.
- Culture and recreation expenditures increased by \$209,000. As was anticipated and budgeted, the Special Events department had increased costs as a result of increased participation in the City's special events.
- Urban development expenditures increased by \$149,000 due to the new operation of the Fedde Sports Complex.

The **Community Development Block Grant Special Revenue** fund has a zero fund balance. This fund accounts for the grants received from the federal government for community development projects and housing loans. Grant revenues of \$391,466 were received during the year, all of which were spent for urban development.

The **Housing Authority Successor Agency Special Revenue** fund has a fund balance of \$2,975,550. This fund had no activity during the year except for transferring assets (\$2.9 million of Advances to the Successor Agency and \$25,500 of Loans Receivable) into the fund from the former Redevelopment Agency.

The **Redevelopment Agency Debt Service** fund has a zero fund balance. The Redevelopment Agency was active for seven months during 2011-12, and tax increment revenue was received and principal and interest on debt was paid during that time. As of January 31, 2012 when the Redevelopment Agency was dissolved, all of this fund's assets and liabilities were transferred to the Successor Agency Private Purpose Trust Fund.

The **Capital Projects Capital Projects** fund has a zero fund balance. Capital project expenditures of \$4.1 million were funded by grant monies of \$100,000 and transfers in from other funds of \$4.0 million.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

GENERAL FUND BUDGET

The total General Fund revenue budget was \$19.0 million with actual receipts of \$16.8 million. The variance between actual revenues and the final revenue budget was \$2.2 million (11.4%). The majority of this variance is due to the City receiving less casino revenue than was anticipated.

The General Fund's actual total expenditures of \$13.1 million were less than the final budgeted appropriations of \$14.1 million. The variance between actual total expenditures and the final appropriation was \$1.0 million (7.3%). The variance for the general fund budget expenditures is due to a combination of effective cost-control measures being implemented throughout the City and to moving the costs of the former Redevelopment Agency to the Successor Agency.

The actual revenue and expenditure activity resulted in a positive variance with the budget of \$1.1 million, which had the effect of raising the City's liquidity and ability to provide future government services.

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

- Licenses and permits - Budget \$15,207,008; Received \$13,092,096 = \$2,114,912 less than the budget.
- General government expenditures - Budget \$5,318,374; Expended \$4,853,243 = \$465,131 under the budget.
- Public safety expenditures - Budget \$3,456,935; Expended \$3,141,203 = \$315,732 under the budget.
- Culture and recreation expenditures - Budget \$3,916,466; Expended \$3,635,312 = \$281,154 under the budget.

CAPITAL ASSETS

Capital assets totaled \$34.5 million at fiscal year-end. During fiscal year 2011-12, capital assets totaling \$477,000 were acquired and depreciation expense of \$1.3 million was recorded. Additional information on the City's capital assets can be found in Note 5 of the Notes to the Basic Financial Statements.

	Governmental Activities	
	(net of accumulated depreciation)	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Buildings and improvements	\$ 11,560,375	\$ 11,874,912
Furniture and equipment	266,503	253,911
Vehicles	548,415	584,657
Infrastructure – road system	7,893,009	8,738,336
Rights-of-way	3,290,005	3,290,005
Land	10,918,187	11,327,875
Total	<u>\$ 34,476,494</u>	<u>\$ 36,069,696</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

LONG-TERM DEBT

As of June 30, 2012, the City had total long-term liabilities outstanding of \$845,000, a decrease of \$42.3 million. The majority of this decrease is due to moving the Tax Allocation Bonds from the City to the Successor Agency.

	Governmental Activities	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Compensated Absences	\$ 514,609	\$ 527,975
Notes Payable	329,949	-
1999 Tax Allocation Bonds	-	2,270,000
2004 Tax Allocation Bonds	-	33,705,000
2006 Tax Allocation Bonds	-	6,615,000
Total	<u>\$ 844,558</u>	<u>\$ 43,117,975</u>

Additional information on the City's long-term debt can be found in Note 6 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The decline of the national and state economies is having a financial effect on the City. Although General Fund revenues increased by \$705,000, the majority of this increase (\$483,000) was due to a one-time grant for funding the Fedde Sports Complex. This small increase follows two years of significant declines in revenue: \$1.47 million in fiscal year 2010-11 and \$1.3 million in fiscal year 2009-10. The decline in each year includes revenues such as property tax and casino license revenues.

In fiscal year 2012-13 Casino Revenues continued to decline. It is expected that Casino Revenues will decline by approximately \$925,000 in fiscal year 2012 -2013. The decline is expected to continue into fiscal year 2013-14, where Casino revenues are expected to decline by at least 5%. In fiscal year 2013-14 expenditures have been reduced to achieve a balanced budget. Staff believes that the while the cuts necessary to balance the budget were substantial, the impacts to the services provided to the community will be minimal. However as a result of the cuts, capital expenditures will be minimal in fiscal year 2013-14.

Also, the City's programs to rehabilitate commercial and low and moderate income housing properties will be suspended. This is due to two factors a) the Redevelopment Agency has been eliminated (the Redevelopment Agency provided all of the funding for rehabilitation of commercial properties and most of the funding for rehabilitation and beautification of low and moderate income housing properties) and b) the grant funding received from the Community Development Block Grant has been reduced by more than 50 percent.

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.

See independent auditors' report.

BASIC FINANCIAL STATEMENTS

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CITY OF HAWAIIAN GARDENS

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 16,004,025
Receivables:	
Accounts	1,075,355
Loans	924,562
Due from other governments	404,742
Prepaid items	4,846
Net OPEB asset	147,467
Advances to Successor Agency	9,140,837
Capital assets:	
Nondepreciable	14,208,192
Depreciable, net of accumulated depreciation	<u>20,268,302</u>
 TOTAL ASSETS	 <u>62,178,328</u>
LIABILITIES:	
Accounts payable	484,278
Accrued liabilities	162,653
Due to other governments	205,294
Noncurrent liabilities:	
Due within one year	239,290
Due in more than one year	<u>605,268</u>
 TOTAL LIABILITIES	 <u>1,696,783</u>
NET ASSETS:	
Invested in capital assets	34,476,494
Restricted for:	
Public safety	16,058
Highways and streets	351,327
Air quality	200,224
Lighting and landscaping	350,586
Low and moderate income housing	4,149,796
Unrestricted	<u>20,937,060</u>
 TOTAL NET ASSETS	 <u><u>\$ 60,481,545</u></u>

See independent auditors' report and notes to basic financial statements.

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CITY OF HAWAIIAN GARDENS

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Functions/programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 6,191,160	\$ 21,797	\$ -	\$ -	\$ (6,169,363)
Public safety	3,398,478	85,249	100,000	-	(3,213,229)
Public works	1,775,077	519,232	1,154	-	(1,254,691)
Highways and streets	1,437,639	-	2,174,939	-	737,300
Culture and recreation	7,686,306	187,863	77,335	321,527	(7,099,581)
Urban development	658,504	-	391,466	-	(267,038)
Health and welfare	1,434,204	260	1,237,251	-	(196,693)
Interest and fiscal charges	1,216,576	-	-	-	(1,216,576)
Total governmental activities	<u>\$ 23,797,944</u>	<u>\$ 814,401</u>	<u>\$ 3,982,145</u>	<u>\$ 321,527</u>	<u>(18,679,871)</u>

General revenues:

Taxes:

Property taxes	3,793,578
Business license taxes	12,738,887
Sales taxes	723,098
Transient occupancy taxes	111,920
Franchise taxes	197,451
Other taxes	31,602
Motor vehicle in lieu, unrestricted	7,877
Investment income	47,942
Other revenues	311,548

Total general revenues 17,963,903

Change in net assets prior to extraordinary gain (715,968)

Extraordinary gain on dissolution of RDA (Note 11) 37,867,843

Change in net assets 37,151,875

Net assets at beginning of year, as restated 23,329,670

Net assets at end of year \$ 60,481,545

See independent auditors' report and notes to basic financial statements.

CITY OF HAWAIIAN GARDENS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

		General Fund	Special Revenue Fund Community Development Block Grant
ASSETS			
Cash and investments		\$ 14,869,838	\$ -
Receivables:			
Accounts		1,069,063	-
Loans		-	899,062
Due from other governments		110,642	140,397
Due from other funds		151,825	-
Prepaid items		-	-
Advances to Successor Agency		6,190,787	-
TOTAL ASSETS		<u>\$ 22,392,155</u>	<u>\$ 1,039,459</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ 423,990	\$ 8,697
Accrued liabilities		128,720	2,704
Due to other governments		205,294	-
Due to other funds		-	128,996
Deferred revenue		2,419,337	899,062
TOTAL LIABILITIES		<u>3,177,341</u>	<u>1,039,459</u>
FUND BALANCES:			
Nonspendable:			
Long-term receivables		-	-
Prepaid items		-	-
Advances to Successor Agency		3,771,450	-
Restricted for:			
Public safety		-	-
Public works		-	-
Highways and streets		-	-
Health and welfare		-	-
Unassigned		15,443,364	-
TOTAL FUND BALANCES		<u>19,214,814</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 22,392,155</u>	<u>\$ 1,039,459</u>

See independent auditors' report and notes to basic financial statements.

Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Housing Authority Successor Agency	Redevelopment Agency	Capital Projects		
\$ -	\$ -	\$ 1,170	\$ 1,133,017	\$ 16,004,025
-	-	-	6,292	1,075,355
25,500	-	-	-	924,562
-	-	-	153,703	404,742
-	-	-	-	151,825
-	-	-	4,846	4,846
2,950,050	-	-	-	9,140,837
<u>\$ 2,975,550</u>	<u>\$ -</u>	<u>\$ 1,170</u>	<u>\$ 1,297,858</u>	<u>\$ 27,706,192</u>
\$ -	\$ -	\$ 1,170	\$ 50,421	\$ 484,278
-	-	-	31,229	162,653
-	-	-	-	205,294
-	-	-	22,829	151,825
-	-	-	-	3,318,399
<u>-</u>	<u>-</u>	<u>1,170</u>	<u>104,479</u>	<u>4,322,449</u>
25,500	-	-	-	25,500
-	-	-	4,846	4,846
2,950,050	-	-	-	6,721,500
-	-	-	17,361	17,361
-	-	-	348,163	348,163
-	-	-	560,000	560,000
-	-	-	275,184	275,184
-	-	-	(12,175)	15,431,189
<u>2,975,550</u>	<u>-</u>	<u>-</u>	<u>1,193,379</u>	<u>23,383,743</u>
<u>\$ 2,975,550</u>	<u>\$ -</u>	<u>\$ 1,170</u>	<u>\$ 1,297,858</u>	<u>\$ 27,706,192</u>

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CITY OF HAWAIIAN GARDENS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2012

Fund balances - total governmental funds		\$ 23,383,743
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The capital assets consist of:		
Non-depreciable assets	\$ 14,208,192	
Depreciable assets, net of \$21,522,461 accumulated depreciation	<u>20,268,302</u>	
		34,476,494
The net OPEB asset is not an available current financial resource and therefore, is not reported in the governmental funds.		147,467
Long-term liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(844,558)
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>3,318,399</u>
Net assets of governmental activities		<u><u>\$ 60,481,545</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF HAWAIIAN GARDENS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2012

	General Fund	Special Revenue Fund Community Development Block Grant
REVENUES:		
Taxes	\$ 2,212,427	\$ -
Licenses and permits	13,092,096	-
Intergovernmental	891,546	391,466
Charges for services	309,501	-
Fines and penalties	68,347	-
Rental income	78,548	-
Investment income	16,030	-
Other revenues	175,963	-
TOTAL REVENUES	<u>16,844,458</u>	<u>391,466</u>
EXPENDITURES:		
Current:		
General government	4,853,243	25,350
Public safety	3,141,203	-
Public works	1,273,931	-
Highways and streets	-	-
Culture and recreation	3,635,312	-
Urban development	149,264	400,185
Health and welfare	-	-
Capital outlay	50,699	-
Debt service:		
Principal	16,792	-
Interest	-	-
TOTAL EXPENDITURES	<u>13,120,444</u>	<u>425,535</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,724,014</u>	<u>(34,069)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	42,806	34,069
Transfers out	(5,068,819)	-
Proceeds from note payable	346,741	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,679,272)</u>	<u>34,069</u>
NET CHANGES IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	(955,258)	-
EXTRAORDINARY GAIN (LOSS) ON DISSOLUTION OF RDA (NOTE 11)	-	-
NET CHANGES IN FUND BALANCES	(955,258)	-
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>20,170,072</u>	-
FUND BALANCES, END OF YEAR	<u>\$ 19,214,814</u>	<u>\$ -</u>

See independent auditors' report and notes to basic financial statements.

Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Housing Authority Successor Agency	Redevelopment Agency	Capital Projects		
\$ -	\$ 2,447,858	\$ -	\$ 271,952	\$ 4,932,237
-	-	-	-	13,092,096
-	-	106,807	2,606,537	3,996,356
-	-	-	-	309,501
-	-	-	17,130	85,477
-	-	-	42,329	120,877
-	25,509	-	4,835	46,374
-	-	-	1,568	177,531
-	<u>2,473,367</u>	<u>106,807</u>	<u>2,944,351</u>	<u>22,760,449</u>
-	172,074	-	268,603	5,319,270
-	-	-	255,471	3,396,674
-	-	-	278,399	1,552,330
-	-	-	1,437,639	1,437,639
-	-	-	-	3,635,312
-	-	-	82,510	631,959
-	-	-	1,423,104	1,423,104
-	-	4,143,755	-	4,194,454
-	1,200,000	-	-	1,216,792
-	1,051,776	-	-	1,051,776
-	<u>2,423,850</u>	<u>4,143,755</u>	<u>3,745,726</u>	<u>23,859,310</u>
-	49,517	(4,036,948)	(801,375)	(1,098,861)
-	-	4,036,948	1,280,913	5,394,736
-	-	-	(325,917)	(5,394,736)
-	-	-	-	346,741
-	-	<u>4,036,948</u>	<u>954,996</u>	<u>346,741</u>
-	49,517	-	153,621	(752,120)
<u>2,975,550</u>	<u>(301,657)</u>	-	<u>(5,804,931)</u>	<u>(3,131,038)</u>
2,975,550	(252,140)	-	(5,651,310)	(3,883,158)
-	252,140	-	6,844,689	27,266,901
<u>\$ 2,975,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,379</u>	<u>\$ 23,383,743</u>

CITY OF HAWAIIAN GARDENS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Net change in fund balances - total governmental funds \$ (3,883,158)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is 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 depreciation expense exceeded capitalizable expenditures in the current period.

Capital outlay	\$ 4,194,454	
Amounts expensed for repairs and maintenance	(270,813)	
Amounts expenses for assets not owned by the City	<u>(3,768,269)</u>	
Capitalizable expenditures	155,372	
Contributed capital assets	321,527	
Depreciation expense	<u>(1,338,886)</u>	(861,987)

Governmental funds report long-term rehabilitation loans made as expenditures and repayments of these loans as revenues. However, these transactions have no effect in the Statement of Activities. This is the net loan activity for the current period. 32,055

Issuance of long-term liabilities provides current financial resources to government funds, while the repayment of principal of long-term liabilities consumes current financial resources in governmental funds. Neither transaction, however, has any affect on net assets.

Principal payments	1,216,792	
Issuance of notes payable	<u>(346,741)</u>	870,051

Governmental funds do not report the changers in the net OPEB asset, since it does not provide or require the use of current financial resources. 147,467

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in accrued interest	(164,800)	
Change in compensated absences	<u>13,366</u>	(151,434)

The Hawaiian Gardens Redevelopment Agency (RDA) was dissolved as of February 1, 2012 pursuant to Assembly Bill 1x26 and 1484. Long-term assets and liabilities and related accrued interest expense of the dissolved RDA as of February 1, 2012 were transferred to the Successor Agency:

Transfer of land	(731,215)	
Transfer of bonds payable	41,390,000	
Transfer of interest payable	<u>340,096</u>	40,998,881

Change in net assets of governmental activities \$ 37,151,875

See independent auditors' report and notes to basic financial statements.

CITY OF HAWAIIAN GARDENS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND

June 30, 2012

	Successor Agency Private-Purpose Trust Fund
ASSETS	
CURRENT ASSETS:	
Cash and investments	\$ 2,079,747
Receivables:	
Taxes	2,571,746
Loans	36,580
Restricted assets:	
Cash and investments with fiscal / other agents	5,012,871
TOTAL CURRENT ASSETS	9,700,944
NONCURRENT ASSETS:	
Capital assets:	
Nondepreciable	4,185,090
TOTAL ASSETS	13,886,034
LIABILITIES	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	943
Interest payable	161,685
Deposits payable	23,230
Due to other governments	74,207
Bonds payable, current portion	1,260,000
TOTAL CURRENT LIABILITIES	1,520,065
LONG-TERM LIABILITIES:	
Advances payable to Hawaiian Gardens Housing Authority	2,950,050
Advances payable to City of Hawaiian Gardens	6,190,787
Bonds payable	40,130,000
TOTAL LONG-TERM LIABILITIES	49,270,837
TOTAL LIABILITIES	50,790,902
NET ASSETS (DEFICIT) HELD IN TRUST	\$ (36,904,868)

See independent auditors' report and notes to basic financial statements.

CITY OF HAWAIIAN GARDENS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND

For the five month period from February 1, 2012 to June 30, 2012

	Successor Agency Private-Purpose Trust Fund
ADDITIONS:	
Taxes	\$ 2,661,110
Investment and rental income	<u>31,550</u>
TOTAL ADDITIONS	<u>2,692,660</u>
DEDUCTIONS:	
Personal services	205,139
Contactual services	24,122
Tax sharing payments	319,628
Program expenses	17,396
Interest and fiscal expenses	841,873
Contributions to City of Hawaiian Gardens	<u>321,527</u>
TOTAL DEDUCTIONS	<u>1,729,685</u>
CHANGE IN NET ASSETS, BEFORE EXTRAORDINARY LOSS	962,975
EXTRAORDINARY LOSS ON DISSOLUTION OF RDA	<u>(37,867,843)</u>
CHANGE IN NET ASSETS	(36,904,868)
NET ASSETS HELD IN TRUST AT FEBRUARY 1, 2012	<u>-</u>
NET ASSETS (DEFICIT) HELD IN TRUST AT END OF YEAR	<u><u>\$ (36,904,868)</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF HAWAIIAN GARDENS
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Hawaiian Gardens, California (the 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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting Entity (Continued):

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 was 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. The Agency was dissolved effective February 1, 2012, as a result of California Assembly Bill 1x 26 (the Dissolution Act). See Note 11 for additional information. The Agency's financial transactions for the seven-month period from July 1, 2011 through January 31, 2012 are included within the special revenue, debt service and capital projects fund types.

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. No individual financial statements are prepared for the Authority.

Housing Authority of the City of Hawaiian Gardens

On February 26, 1985, the City Council of the City of Hawaiian Gardens adopted Resolution No. 11-85, establishing the Housing Authority of the City of Hawaiian Gardens (Housing Authority). The members of the City Council serve as the members of the Housing Authority Board, as long as the members remain on the City Council. In November 2002, the City Council appointed two additional Housing Authority Board members, in compliance with California Housing Authorities Law. The two additional board members must be eligible residents, meaning persons directly assisted by the Housing Authority. No individual financial statements are prepared for the Authority.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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*, as is the fiduciary private purpose trust fund. 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.

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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

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 and fiduciary fund are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds and as a private-purpose trust fund for the fiduciary fund.

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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

Governmental Funds (Continued)

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.

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:

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and capital improvement costs which are not paid through other funds.

Community Development Block Grant Special Revenue Fund - Used to account for Federal entitlements under the Housing and Community Development Act of 197, as amended. The City Council annually allocates CDBG funds to various programs.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Description of Funds (Continued):

Major Governmental Funds (Continued):

Housing Authority Successor Agency Special Revenue Fund - Used to account for the low and moderate income housing activities that were transferred to the City upon dissolution of the former Agency.

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. The Agency was dissolved effective February 1, 2012.

Capital Projects Capital Projects Fund - Used to account for the receipt and disbursement of monies used for the construction of major capital facilities which generally require more than one budgetary cycle to complete.

Additionally, the City reports the following fund types:

Governmental Funds:

The Special Revenue Funds are used to account for specific revenue that is legally required to be accounted for in a separate fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities related to the Agency. The Agency was dissolved effective February 1, 2012.

Fiduciary Fund:

The Private-Purpose Trust Fund is used to account for the activities of the Successor Agency to the Hawaiian Gardens Redevelopment 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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Cash and Investments (Continued):

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

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

E. Due from Other Governments:

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

F. Capital Assets:

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

Capital assets include public domain (infrastructure) capital assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements.

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

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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:

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.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

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

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, 2012, there were no outstanding liabilities recorded relating to claims and judgment in a governmental fund.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 1 st Second Installment - February 1 st
Delinquent Date:	First Installment - December 10 th Second Installment - April 10 th

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

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

K. Classification of Net Assets:

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

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets including restricted assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, those amounts are not included in the calculation of net capital assets. As of June 30, 2012, there was no debt related to the City's capital assets.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Classification of Net Assets (Continued):

- 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".

L. Governmental Fund Balance Classifications:

The fund balances reported in the fund statements consist of the following classifications:

- 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 Council 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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Governmental Fund Balance Classifications (Continued):

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.

M. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Specifically, the City has made certain estimates and assumptions related to the collectability of its receivables (e.g. accounts receivable, due from other governments), the depreciation of its capital assets and the ultimate outcome of any claims and judgments. Actual results could differ from those estimates and assumptions.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. Budgetary Data:

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

The level at which the expenditures may not legally exceed appropriations is the fund level. Formal budgetary integration is not employed for debt service funds or capital project funds, because effective budgetary control is alternatively achieved through trust indenture provisions 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. For the year ended June 30, 2012, no budget was adopted for the Housing Authority Successor Agency Special Revenue Fund.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):

B. Expenditures in Excess of Appropriations:

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2012:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Special Revenue Fund:			
Community Development Block Grant	\$ 425,173	\$ 425,535	\$ (362)
Other Governmental Special Revenue Funds:			
State Gas Tax	607,146	626,900	(19,754)
Proposition C Local Transit Assistance	346,745	373,362	(26,617)
Proposition A Local Transit Assistance	413,036	437,377	(24,341)
Community Oriented Police Services	158,632	171,988	(13,356)
Housing Authority Section 8	1,403,085	1,423,104	(20,019)
Lighting and Landscaping	275,677	278,399	(2,722)

C. Accumulated Fund Deficits:

The Other Governmental Funds Proposition C Local Transit Assistance and Traffic Safety Special Revenue Funds had fund deficits of \$8,449 and \$1,303, respectively, at June 30, 2012.

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

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

3. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2012, are classified in the accompanying financial statements as follows:

	Government Wide Statement of <u>Net Assets</u>	Fiduciary Fund Statement of <u>Net Assets</u>	<u>Total</u>
Cash and investments	\$ 16,004,025	\$ 2,079,747	\$ 18,083,772
Restricted:			
Cash and investments held by fiscal agent	-	5,012,871	5,012,871
Total cash and investments	<u>\$ 16,004,025</u>	<u>\$ 7,092,618</u>	<u>\$ 23,096,643</u>

Cash and investments at June 30, 2012, consist of the following:

Cash on hand	\$ 2,579
Deposits with financial institutions	4,327,442
Investments	<u>18,766,622</u>
Total cash and investments	<u>\$ 23,096,643</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

3. CASH AND INVESTMENTS (CONTINUED):

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

<u>Investment Types</u> <u>Authorized by State Law</u>	Authorized by Investment Policy	* Maximum Maturity	* Maximum Percentage of Portfolio	* Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
United States 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 Deposits	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	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.

N/A - Not Applicable

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

3. CASH AND INVESTMENTS (CONTINUED):

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 related to the 1999 Tax Allocation Refunding Bonds are as follows:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States 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

The permitted investments related to the 2004 Tax Allocation Revenue Bonds and 2006 Tax Allocation Bonds are as follows:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	None	None	None
United States 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 Agreements	30 years	None	None

N/A - Not Applicable

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

3. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that the portion of the portfolio is maturing or coming close to maturity evenly over times as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Remaining Maturity (in Years)</u>		<u>Total</u>
	<u>1 Year or Less</u>	<u>6 to 15 Years</u>	
Local Agency Investment Fund	\$ 13,753,751	\$ -	\$ 13,753,751
Held by Bond Trustee:			
Investment agreement	799,500	-	799,500
Money Market Mutual Funds	4,213,371	-	4,213,371
Total	<u>\$ 18,766,622</u>	<u>\$ -</u>	<u>\$ 18,766,622</u>

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 as required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, as reported by Standard and Poor's, as of year end for each investment type:

<u>Investment Type</u>	<u>Total as of June 30, 2012</u>	<u>Minimum Legal Rating</u>	<u>Ratings as of Year End</u>	
			<u>AAAm</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 13,753,751	N/A	\$ -	\$ 13,753,751
Held by Bond Trustee:				
Investment agreement	799,500	N/A	-	799,500
Money Market Mutual Funds	4,213,371	A	4,213,371	-
Total	<u>\$ 18,766,622</u>		<u>\$ 4,213,371</u>	<u>\$ 14,553,251</u>

N/A - Not Applicable

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

3. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk:

The investment policy of the City contains no limitations on the amount that can be invested in anyone issuer beyond that stipulated by the California Government Code. There were no investments in anyone issuer that represent 5% or more of the total City investments as of June 30, 2012.

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2012, the City has no deposits in excess of the Federal Deposit Insurance Corporation insurance limits in accordance with California Law.

Investment in State Investment Pool:

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

4. INTERFUND TRANSACTIONS:

The composition of interfund balances as of June 30, 2012, is as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant Special Revenue Fund	\$ 128,996
	Other Governmental Funds	<u>22,829</u>
		<u>\$ 151,825</u>

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

Interfund Transfers:

<u>Transfer In to Fund</u>	<u>Transfer Out of Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 42,806
Community Development Block Grant Special Revenue Fund	General Fund	34,069
Capital Projects Capital Projects Fund (1)	General Fund	4,002,714
	Other Governmental Funds	34,234
Other Governmental Funds (2)	General Fund	1,032,036
	Other Governmental Funds	<u>248,877</u>
		<u>\$ 5,394,736</u>

(1) To provide resources to cover capital project expenditures. \$3,502,714 of the transfer from the General Fund was made by management without Council authorization in order to eliminate the fund balance deficit in the Capital Projects Fund created by current year activity. In prior years, this type of transfer was eliminated for reporting purposes since the Capital Projects Fund was combined with the General Fund. In the current year, management chose to report the Capital Projects Fund separately.

(2) To provide resources to cover negative cash balances and fund deficits at year end.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

5. CAPITAL ASSETS:

The following is a summary of changes in capital assets for the year ended June 30, 2012:

	Balance at July 1, 2011	Additions	Deletions	Transfers (a)	Balance at June 30, 2012
Capital assets, not being depreciated:					
Rights-of-way	\$ 3,290,005	\$ -	\$ -	\$ -	\$ 3,290,005
Land (b)	<u>11,327,875</u>	<u>321,527</u>	<u>-</u>	<u>(731,215)</u>	<u>10,918,187</u>
Total capital assets, not being depreciated	<u>14,617,880</u>	<u>321,527</u>	<u>-</u>	<u>(731,215)</u>	<u>14,208,192</u>
Capital assets, being depreciated:					
Buildings and improvements	16,442,524	41,787	-	-	16,484,311
Furniture and equipment	570,369	50,699	-	-	621,068
Vehicles	931,512	-	-	-	931,512
Infrastructure - road system	<u>23,690,986</u>	<u>62,886</u>	<u>-</u>	<u>-</u>	<u>23,753,872</u>
Total capital assets, being depreciated	<u>41,635,391</u>	<u>155,372</u>	<u>-</u>	<u>-</u>	<u>41,790,763</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,567,612)	(356,324)	-	-	(4,923,936)
Furniture and equipment	(316,458)	(38,107)	-	-	(354,565)
Vehicles	(346,855)	(36,242)	-	-	(383,097)
Infrastructure - road system	<u>(14,952,650)</u>	<u>(908,213)</u>	<u>-</u>	<u>-</u>	<u>(15,860,863)</u>
Total accumulated depreciation	<u>(20,183,575)</u>	<u>(1,338,886)</u>	<u>-</u>	<u>-</u>	<u>(21,522,461)</u>
Total capital assets, being depreciated, net	<u>21,451,816</u>	<u>(1,183,514)</u>	<u>-</u>	<u>-</u>	<u>20,268,302</u>
Total governmental activities capital assets, net	<u>\$ 36,069,696</u>	<u>\$ (861,987)</u>	<u>\$ -</u>	<u>\$ (731,215)</u>	<u>\$ 34,476,494</u>

- (a) On February 1, 2012, land of the former redevelopment agency was transferred to the Successor Agency as a result of dissolution. See Notes 10 and 11 for additional information.
- (b) The balance of land at July 1, 2011 has been decreased by \$381,931 to remove a property that had been accounted for twice.

Depreciation expense was charged to the following functions in the Statement of Activities for the year ended June 30, 2012:

General government	\$ 1,025,164
Public safety	1,804
Public works	18,093
Culture and recreation	282,725
Health and welfare	<u>11,100</u>
Total depreciation expense	<u>\$ 1,338,886</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

6. LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Balance at July 1, 2011	Additions	Deletions	Transfers (a)	Balance at June 30, 2012	Due Within One Year
1999 Tax Allocation						
Refunding Bonds	\$ 2,270,000	\$ -	\$ (715,000)	\$ (1,555,000)	\$ -	\$ -
2004 Tax Allocation						
Refunding Bonds	33,705,000	-	(175,000)	(33,530,000)	-	-
2006 Tax Allocation						
Refunding Bonds	6,615,000	-	(310,000)	(6,305,000)	-	-
Advances	6,190,787	-	-	(6,190,787)	-	-
Note payable -SCE 1	-	246,785	(10,172)	-	236,613	26,049
Note payable - SCE 2	-	99,956	(6,620)	-	93,336	20,741
Compensated absences	<u>527,975</u>	<u>186,239</u>	<u>(199,605)</u>	<u>-</u>	<u>514,609</u>	<u>192,500</u>
Total	<u>\$ 49,308,762</u>	<u>\$ 532,980</u>	<u>\$ (1,416,397)</u>	<u>\$ (47,580,787)</u>	<u>\$ 844,558</u>	<u>\$ 239,290</u>

(a) On February 1, 2012, all long-term liabilities of the former redevelopment agency were transferred to the Successor Agency as a result of dissolution. See Notes 10 and 11 for additional information.

Notes Payable:

- (1) On December 15, 2011, the City entered into an interest-free financing agreement in the amount of \$246,785 with Southern California Edison to purchase and install energy efficient equipment at the Fedde Sports Complex. The term of the loan is 9-1/2 years. Payments are made monthly in the amount of \$2,171. The City did not capitalize this equipment since it was installed at the Fedde Sports Complex which is the property of the ABC Unified School District pursuant to a joint use agreement dated October 13, 2009 between the City and the District.
- (2) On December 15, 2011, the City entered into an interest-free financing agreement in the amount of \$99,956 with Southern California Edison to purchase and install energy efficient equipment at the Fedde Sports Complex. The term of the loan is 58 months. Payments are made monthly in the amount of \$1,728. The City did not capitalize this equipment since it was installed at the Fedde Sports Complex which is the property of the ABC Unified School District pursuant to a joint use agreement dated October 13, 2009 between the City and the District.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

6. LONG-TERM LIABILITIES (CONTINUED):

Notes Payable (Continued):

The remaining repayment requirement to maturity for these notes payable is as follows:

Year Ending June 30,	Amount
2013	\$ 46,790
2014	46,790
2015	46,790
2016	46,790
2017	36,420
2018 - 2021	106,369
	<u>\$ 329,949</u>

Compensated Absences:

There is no fixed payment schedule for earned but unpaid compensated absences.

7. PENSION PLAN:

Plan Description:

The City of Hawaiian Gardens contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing, multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS' acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS' annual financial report may be obtained from the CalPERS 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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

7. PENSION PLAN (CONTINUED):

Funding Policy (Continued):

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, 2011, to June 30, 2012, has been determined by an actuarial valuation of the plan as of June 30, 2009. The City's covered payroll for PERS was \$4,033,223 for the year ended June 30, 2012, while the City's total payroll for all employees was \$4,617,000 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012.

Three-Year Trend Information:

Fiscal Year	Annual Pension Cost		
	Contribution Rate	Employer Contribution	Percentage Contributed
6/30/10	18.71%	\$ 762,130	100%
6/30/11	19.16%	782,659	100%
6/30/12	21.97%	930,398	100%

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN:

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. For the year ended June 30, 2012, the City did not seek reimbursement for all pay-as-you-go expenses.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

Plan Description (Continued):

Membership of the plan consisted of the following at July 1, 2011, the date of the most recent actuarial valuation:

Retirees receiving benefits	19
Active plan members	<u>68</u>
Total	<u><u>87</u></u>

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 \$742,181 for the fiscal year ended June 30, 2012.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual other post-employment 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 26 years.

The following table shows the component of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset).

Annual required contribution (ARC)	\$ 594,714
Interest adjustment on net OPEB obligation	-
Amortization adjustment to ARC	<u>-</u>
Annual OPEB cost	594,714
Actual contributions made	<u>(742,181)</u>
Increase in net OPEB asset	(147,467)
Net OPEB Obligation (Asset) - beginning of year	<u>-</u>
Net OPEB Obligation (Asset) - end of year	<u><u>\$ (147,467)</u></u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

Three-Year Trend Information:

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the three years ended June 30, 2012, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/10	\$ 569,000	\$ 569,000	100.0 %	\$ -
06/30/11	590,484	590,484	100.0 %	-
06/30/12	594,714	742,181	124.8 %	(147,467)

Funded Status and Funding Progress:

As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$6,465,354, and the actuarial value of assets was \$1,893,823, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,571,531 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 29.3%. The covered payroll (annual payroll of active employees covered by the plan) was \$4,617,000, and the ratio of the UAAL to the covered payroll was 99.0%.

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.

Actuarial 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 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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

Actuarial Methods and Assumptions (Continued):

Additional information for the latest actuarial valuation follows:

Valuation Date:	July 1, 2011
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percentage of payroll, closed
Amortization Period:	26 years
Actuarial Assumptions:	
Investment Rate of Return:	7.61%
Healthcare Cost Trend Rate	9.5% initial, with decrements of 0.5% until an ultimate trend rate of 5% is reached
Projected Salary Increases:	3.25%

9. RISK MANAGEMENT:

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

Description of Joint Powers Insurance Authority:

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Insurance 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 Insurance Authority's pool 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 9-member Executive Committee.

Self-insurance Programs of the Insurance Authority:

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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

9. RISK MANAGEMENT (CONTINUED):

Self-insurance Programs of the Insurance Authority (Continued):

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 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.

General Liability Insurance

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 2011-12 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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

9. RISK MANAGEMENT (CONTINUED):

Self-insurance Programs of the Insurance Authority (Continued):

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 to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

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 Insurance 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 Insurance Authority has a limit of \$50 million for the 3-year period from July 1, 2011, through July 1, 2014. Each member of the Insurance Authority has a \$10 million sub-limit during the 3-year term of the policy.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

9. RISK MANAGEMENT (CONTINUED):

Purchased Insurance (Continued):

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 \$17,142,100. 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 \$15,130,056. 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.

Adequacy of Protection:

During the past three fiscal (claims) years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2011-2012.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES:

The assets and liabilities of the former Redevelopment Agency were transferred to the Successor Agency to the City of Hawaiian Gardens Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to these transactions are as follows:

Capital Assets:

The following is a summary of capital assets transactions for the five-months ended June 30, 2012:

	Balance at <u>Feb. 1, 2011</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2012</u>
Capital assets, not being depreciated:					
Land	\$ _____ -	\$ 4,506,617	\$ _____ -	\$ (321,527)	\$ 4,185,090

Advances Payable to City of Hawaiian Gardens:

During the year ended June 30, 2000, the General Fund advanced to the Redevelopment Agency \$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 onsite and off-site improvements and fees levied in connection with developing a card club and associated facilities. The amount outstanding at June 30, 2012 is \$1,413,280.

For the four years ended June 30, 2010, the City made annual advances to the Redevelopment Agency to assist in funding the Redevelopment Agency's operating budget. Interest on these advances accrues at 10% and there is no fixed repayment schedule. The amount outstanding at June 30, 2012 is \$4,777,507.

Advances Payable to Hawaiian Gardens Housing Authority:

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. These advances were 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, 2012, is \$2,950,050. The liability side of these loans was transferred to the Successor Agency and the asset side was transferred to the Housing Authority Successor Agency Special Revenue Fund upon dissolution of the former Redevelopment Agency.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

Long-Term Liabilities:

Long-term liabilities activity for the period from February 1, 2012 through June 30, 2012 was as follows:

	Transfers (a)			Balance at June 30, 2012	Due Within One Year	Due in More Than One Year
	February 1, 2012	Additions	Deletions			
1999 Tax Allocation						
Refunding Bonds	\$ 1,555,000	\$ -	\$ -	\$ 1,555,000	\$ 755,000	\$ 800,000
2004 Tax Allocation						
Refunding Bonds	33,530,000	-	-	33,530,000	185,000	33,345,000
2006 Tax Allocation						
Refunding Bonds	<u>6,305,000</u>	<u>-</u>	<u>-</u>	<u>6,305,000</u>	<u>320,000</u>	<u>5,985,000</u>
Total	<u>\$ 41,390,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,390,000</u>	<u>\$ 1,260,000</u>	<u>\$ 40,130,000</u>

(a) The transfers relate to the transfer of long-term liabilities from the former redevelopment agency. The Successor Agency of the Hawaiian Gardens Redevelopment Agency has assumed these liabilities as a result of the dissolution of the Redevelopment Agency. See Note 11 for additional information.

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 Agencies 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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued):

1999 Tax Allocation Refunding Bonds (Continued):

The minimum annual requirements to amortize the 1999 Tax Allocation Refunding Bonds as of June 30, 2012 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 755,000	\$ 70,650	\$ 825,650
2014	800,000	24,000	824,000
Totals	<u>\$ 1,555,000</u>	<u>\$ 94,650</u>	<u>\$ 1,649,650</u>

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.

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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued):

2004 Tax Allocation Revenue Bonds (Continued):

The minimum annual requirements to amortize the 2004 Tax Allocation Revenue Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 185,000	\$ 1,634,595	\$ 1,819,595
2014	195,000	1,627,227	1,822,227
2015	1,050,000	1,599,702	2,649,702
2016	1,095,000	1,552,698	2,647,698
2017	1,145,000	1,504,245	2,649,245
2018 - 2022	6,550,000	6,662,191	13,212,191
2023 - 2027	8,160,000	4,834,193	12,994,193
2028 - 2032	10,280,000	2,552,035	12,832,035
2033 - 2034	4,870,000	246,500	5,116,500
Totals	<u>\$ 33,530,000</u>	<u>\$ 22,213,386</u>	<u>\$ 55,743,386</u>

2006 Tax Allocation Revenue 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. As a result, the 2000 Certificates of Participation are considered defeased. There is no outstanding balance for the defeased 2000 Certificates of Participation as of June 30, 2012.

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, 2012, bonds outstanding on the 2006 Tax Allocation Revenue Bonds were \$6,305,000. The bonds are secured by a pledge of 80% of Project Area No. 1 tax increment revenues.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued):

2006 Tax Allocation Revenue Bonds (Continued):

The minimum annual requirements to amortize the 2006 Tax Allocation Revenue Bonds as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 320,000	\$ 302,013	\$ 622,013
2014	335,000	287,275	622,275
2015	350,000	271,425	621,425
2016	370,000	254,325	624,325
2017	385,000	236,394	621,394
2018 - 2022	2,225,000	869,125	3,094,125
2023 - 2026	<u>2,320,000</u>	<u>244,500</u>	<u>2,564,500</u>
Totals	<u>\$ 6,305,000</u>	<u>\$ 2,465,057</u>	<u>\$ 8,770,057</u>

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the “Dissolution Act”) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package. The Dissolution Act required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for impending dissolution. Assembly Bill 1x 27 provided 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 to overturn the Dissolution Act and Assembly Bill 1x 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and struck down Assembly Bill 1x 27.

See independent auditors’ report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a “Dissolved RDA”) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 24, 2012, the City elected to serve as the Successor Agency of the Hawaiian Gardens Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA’s housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The Housing Authority elected on January 24, 2012, to serve as the Housing Successor Agency.

After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority Successor Agency Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the Dissolved RDA as of February 1, 2012 (effectively the same date as January 31, 2012) from the governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was also reported in the fiduciary fund as an extraordinary gain (or loss).

See independent auditors’ report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the fiduciary private-purpose trust fund (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 3,131,038
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(340,096)
Land reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	731,215
Long-term debt reported in the government-wide financial statements - decrease to the net assets of the Successor Agency Trust Fund	<u>(41,390,000)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$(37,867,843)</u>

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months. The Successor Agency received \$2,571,746 from the County Auditor-Controller in July 2012 for the ROPS for the period July 1, 2012 to December 31, 2012.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

On June 12, 2012, the Successor Agency approved the disposition of former redevelopment agency properties as approved by the Oversight Board. Certain properties totaling \$2,035,320 and \$1,275,251 were transferred to the City and Housing Authority, respectively. All properties transferred, except for two totaling \$321,527 that were transferred to the City, were returned back to the Successor Agency as of June 30, 2012, as a result of the State Department of Finance's subsequent denial of the transfers. The two properties not returned to the Successor Agency are being used by the City as open space and a community day care center.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller's Office is required to order the available assets to be transferred to the public body designated as the successor agency.

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

12. COMMITMENTS:

On October 13, 2009, the City entered into a joint use agreement with ABC Unified School District related to the Fedde Sports Complex which was constructed on District property. The term of the agreement is for 30 years. In exchange for the access and use of the property, the City committed to constructing the sports complex, replacing all or a portion of the artificial turf that needs replacement at the end of ten years, performing all custodial services associated with the sports complex including replacement of all defective lights, maintaining the artificial turf, and covering the cost of electric power consumption and 10% of the cost of the water utilities irrigation for the sports complex. The City has expensed the construction costs as incurred since ownership of the constructed assets is retained by the District.

13. RESTATEMENT OF NET ASSETS AND FUND BALANCES:

Net Assets:

The beginning net assets at July 1, 2011 on the government-wide financial statements has been restated as follows:

	Statement of <u>Activities</u>
Ending net assets, June 30, 2011, as previously reported	\$ 23,267,915
Removal of real property that had been accounted for twice	(381,931)
Recognition of revenue previous reported as unearned	<u>443,686</u>
Beginning net assets, July 1, 2011, as restated	<u>\$ 23,329,670</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

13. RESTATEMENT OF NET ASSETS AND FUND BALANCES (CONTINUED):

Fund Balances:

The beginning fund balances at July 1, 2011 of the General Fund and the Other Governmental Funds have been restated as follows as a result of a program audit reclassification related to the Community Oriented Police Services (COPS) program:

	General Fund	Other Governmental Funds
Ending fund balances, June 30, 2011, as previously reported	\$ 20,095,731	\$ 808,754
Program audit reclassification	74,341	(74,341)
Reclassification of the former redevelopment agency's low and moderate income housing special revenue fund and capital projects fund as other governmental funds for current year reporting purposes	<u>-</u>	<u>6,110,276</u>
Beginning fund balances, July 1, 2011, as restated	<u>\$ 20,170,072</u>	<u>\$ 6,844,689</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAWAIIAN GARDENS
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes	\$ 2,552,918	\$ 2,058,395	\$ 2,212,427	\$ 154,032
Licenses and permits	13,611,276	15,207,008	13,092,096	(2,114,912)
Intergovernmental	458,000	1,125,279	891,546	(233,733)
Charges for services	354,000	354,000	309,501	(44,499)
Fines and penalties	79,000	79,000	68,347	(10,653)
Rental income	55,000	55,000	78,548	23,548
Investment income	50,000	50,000	16,030	(33,970)
Other revenues	76,500	76,500	175,963	99,463
TOTAL REVENUES	17,236,694	19,005,182	16,844,458	(2,160,724)
EXPENDITURES:				
Current:				
General government	5,157,174	5,318,374	4,853,243	465,131
Public safety	3,456,935	3,456,935	3,141,203	315,732
Public works	1,237,525	1,240,025	1,273,931	(33,906)
Culture and recreation	4,118,466	3,916,466	3,635,312	281,154
Health and welfare	165,222	165,222	149,264	15,958
Capital outlay	51,000	51,000	50,699	301
Debt service:				
Principal	-	-	16,792	(16,792)
TOTAL EXPENDITURES	14,186,322	14,148,022	13,120,444	1,027,578
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,050,372	4,857,160	3,724,014	(1,133,146)
OTHER FINANCING SOURCES (USES):				
Transfers in	32,000	32,000	42,806	10,806
Transfers out	(1,290,000)	(1,290,000)	(5,068,819)	(3,778,819)
Proceeds from note payable	-	-	346,741	346,741
TOTAL OTHER FINANCING SOURCES (USES)	(1,258,000)	(1,258,000)	(4,679,272)	(3,421,272)
NET CHANGE IN FUND BALANCE	1,792,372	3,599,160	(955,258)	(4,554,418)
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	20,170,072	20,170,072	20,170,072	-
FUND BALANCE, END OF YEAR	\$ 21,962,444	\$ 23,769,232	\$ 19,214,814	\$ (4,554,418)

See independent auditors' report and note to required supplementary information.

CITY OF HAWAIIAN GARDENS

BUDGETARY COMPARISON SCHEDULE

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 637,108	\$ 637,108	\$ 391,466	\$ (245,642)
EXPENDITURES:				
Current:				
General government	27,428	27,428	25,350	2,078
Urban development	397,745	397,745	400,185	(2,440)
TOTAL EXPENDITURES	425,173	425,173	425,535	(362)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	211,935	211,935	(34,069)	(246,004)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	34,069	34,069
Transfers out	(222,629)	(222,629)	-	222,629
TOTAL OTHER FINANCING SOURCES (USES)	(222,629)	(222,629)	34,069	256,698
NET CHANGE IN FUND BALANCE	(10,694)	(10,694)	-	10,694
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ (10,694)	\$ (10,694)	\$ -	\$ 10,694

See independent auditors' report and note to required supplementary information.

CITY OF HAWAIIAN GARDENS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

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. No budget was adopted for the Housing Authority Successor Agency Special Revenue Fund.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2012

OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
07/01/07	\$ 4,222,000	\$ -	\$ 4,222,000	0.00%	\$ 3,756,000	112.41%
07/01/09	5,989,009	1,168,710	4,820,299	19.51%	4,638,347	103.92%
07/01/11	6,465,354	1,893,823	4,571,531	29.29%	4,617,000	99.02%

See independent auditors' report.

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SUPPLEMENTARY INFORMATION

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OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The 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:

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

Local Transportation Fund - 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 (AQMD) Fund - To account for the receipt and expenditure of Air Quality Management District funds.

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

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

Measure R Local Transit Assistance Fund - To account for financial transactions in accordance with Measure R Local Transit Assistance Act regulations.

Community Oriented Police Services (COPS) Fund - To account for Federal and State funds received for policing and law enforcement activities.

Housing Authority Section 8 Fund - To account for the receipt and expenditure of Federal and State funds related to housing programs.

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

Low and Moderate Income Housing Fund - To account for monies received and expended to assist low and moderate income households. The Agency was dissolved effective February 1, 2012.

Traffic Safety Fund - To account for the vehicle code fines expended for traffic safety enforcement.

CAPITAL PROJECTS FUND

Redevelopment Agency Capital Projects Fund - To account for financial resources to be used for the acquisition or construction of major capital facilities related to the Agency. The Agency was dissolved effective February 1, 2012.

CITY OF HAWAIIAN GARDENS
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS

June 30, 2012

	Special Revenue Funds		
	State Gas Tax	Local Transportation	Air Quality Management District
ASSETS			
Cash and investments	\$ -	\$ -	\$ 187,301
Receivables:			
Accounts	-	-	4,501
Due from other governments	46,932	14,088	8,422
Prepaid items	2,423	-	-
TOTAL ASSETS	\$ 49,355	\$ 14,088	\$ 200,224
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 18,482	\$ -	\$ -
Accrued liabilities	8,044	-	-
Due to other funds	22,829	-	-
TOTAL LIABILITIES	49,355	-	-
FUND BALANCES (DEFICITS):			
Nonspendable:			
Prepaid items	2,423	-	-
Restricted for:			
Public safety	-	-	-
Public works	-	-	-
Highways and streets	-	14,088	200,224
Health and welfare	-	-	-
Unassigned	(2,423)	-	-
TOTAL FUND BALANCES (DEFICITS)	-	14,088	200,224
TOTAL LIABILITIES AND FUND BALANCES	\$ 49,355	\$ 14,088	\$ 200,224

See independent auditors' report.

Special Revenue Funds (Continued)

Proposition C Local Transit Assistance	Proposition A Local Transit Assistance	Measure R Local Transit Assistance	Community Oriented Police Services	Housing Authority Section 8	Lighting and Landscaping
\$ -	\$ -	\$ 301,591	\$ 31,956	\$ 280,675	\$ 331,147
-	-	-	-	-	1,791
-	40,000	14,086	-	-	30,175
-	-	-	-	-	2,423
<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 315,677</u>	<u>\$ 31,956</u>	<u>\$ 280,675</u>	<u>\$ 365,536</u>
\$ 1,798	\$ 1,810	\$ -	\$ 14,595	\$ -	\$ 13,736
6,651	8,179	-	-	5,491	1,214
-	-	-	-	-	-
<u>8,449</u>	<u>9,989</u>	<u>-</u>	<u>14,595</u>	<u>5,491</u>	<u>14,950</u>
-	-	-	-	-	2,423
-	-	-	17,361	-	-
-	-	-	-	-	348,163
-	30,011	315,677	-	-	-
-	-	-	-	275,184	-
<u>(8,449)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(8,449)</u>	<u>30,011</u>	<u>315,677</u>	<u>17,361</u>	<u>275,184</u>	<u>350,586</u>
<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 315,677</u>	<u>\$ 31,956</u>	<u>\$ 280,675</u>	<u>\$ 365,536</u>

(Continued)

CITY OF HAWAIIAN GARDENS

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2012

		Special Revenue Funds (Continued)		
		Low and Moderate Income Housing	Traffic Safety	Total Special Revenue Funds
ASSETS				
Cash and investments		\$ -	\$ 347	\$ 1,133,017
Receivables:				
Accounts		-	-	6,292
Due from other governments		-	-	153,703
Prepaid items		-	-	4,846
		<u>-</u>	<u>-</u>	<u>4,846</u>
	TOTAL ASSETS	<u>\$ -</u>	<u>\$ 347</u>	<u>\$ 1,297,858</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable		\$ -	\$ -	\$ 50,421
Accrued liabilities		-	1,650	31,229
Due to other funds		-	-	22,829
		<u>-</u>	<u>-</u>	<u>22,829</u>
	TOTAL LIABILITIES	<u>-</u>	<u>1,650</u>	<u>104,479</u>
FUND BALANCES (DEFICITS):				
Nonspendable:				
Prepaid items		-	-	4,846
Restricted for:				
Public safety		-	-	17,361
Public works		-	-	348,163
Highways and streets		-	-	560,000
Health and welfare		-	-	275,184
Unassigned		-	(1,303)	(12,175)
		<u>-</u>	<u>(1,303)</u>	<u>(12,175)</u>
	TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>(1,303)</u>	<u>1,193,379</u>
	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 347</u>	<u>\$ 1,297,858</u>

See independent auditors' report.

<u>Capital Projects Fund</u>		
<u>Redevelopment Agency</u>	<u>Total Capital Projects Fund</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ 1,133,017
-	-	6,292
-	-	153,703
-	-	4,846
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,297,858</u>
\$ -	\$ -	\$ 50,421
-	-	31,229
-	-	22,829
<u>-</u>	<u>-</u>	<u>104,479</u>
-	-	4,846
-	-	17,361
-	-	348,163
-	-	560,000
-	-	275,184
-	-	(12,175)
<u>-</u>	<u>-</u>	<u>1,193,379</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,297,858</u>

CITY OF HAWAIIAN GARDENS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2012

	Special Revenue Funds		
	State Gas Tax	Local Transportation	Air Quality Management District
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	542,549	14,088	17,213
Fines and penalties	-	-	-
Rental income	-	-	-
Investment income	-	-	527
Other revenues	-	-	-
TOTAL REVENUES	<u>542,549</u>	<u>14,088</u>	<u>17,740</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Highways and streets	626,900	-	-
Urban development	-	-	-
Health and welfare	-	-	-
TOTAL EXPENDITURES	<u>626,900</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(84,351)</u>	<u>14,088</u>	<u>17,740</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	180,653	-	-
Transfers out	(248,877)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(68,224)</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	(152,575)	14,088	17,740
EXTRAORDINARY LOSS ON TRANSFER TO SUCCESSOR AGENCY	-	-	-
NET CHANGES IN FUND BALANCES	(152,575)	14,088	17,740
FUND BALANCES (DEFICITS), BEGINNING OF YEAR, AS RESTATED	<u>152,575</u>	<u>-</u>	<u>182,484</u>
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ -</u>	<u>\$ 14,088</u>	<u>\$ 200,224</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Proposition C Local Transit Assistance	Proposition A Local Transit Assistance	Measure R Local Transit Assistance	Community Oriented Police Services	Housing Authority Section 8	Lighting and Landscaping
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 271,952
192,906	357,912	143,464	100,000	1,237,251	1,154
-	-	-	-	-	-
-	-	376	178	90	969
-	824	-	-	-	-
<u>192,906</u>	<u>358,736</u>	<u>143,840</u>	<u>100,178</u>	<u>1,237,341</u>	<u>274,075</u>
-	-	-	-	-	-
-	-	-	171,988	-	-
-	-	-	-	-	278,399
373,362	437,377	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,423,104	-
<u>373,362</u>	<u>437,377</u>	<u>-</u>	<u>171,988</u>	<u>1,423,104</u>	<u>278,399</u>
<u>(180,456)</u>	<u>(78,641)</u>	<u>143,840</u>	<u>(71,810)</u>	<u>(185,763)</u>	<u>(4,324)</u>
310,238	177,068	248,877	69,027	230,000	-
-	-	(77,040)	-	-	-
<u>310,238</u>	<u>177,068</u>	<u>171,837</u>	<u>69,027</u>	<u>230,000</u>	<u>-</u>
129,782	98,427	315,677	(2,783)	44,237	(4,324)
-	-	-	-	-	-
<u>129,782</u>	<u>98,427</u>	<u>315,677</u>	<u>(2,783)</u>	<u>44,237</u>	<u>(4,324)</u>
<u>(138,231)</u>	<u>(68,416)</u>	<u>-</u>	<u>20,144</u>	<u>230,947</u>	<u>354,910</u>
<u>\$ (8,449)</u>	<u>\$ 30,011</u>	<u>\$ 315,677</u>	<u>\$ 17,361</u>	<u>\$ 275,184</u>	<u>\$ 350,586</u>

(Continued)

CITY OF HAWAIIAN GARDENS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2012

	Special Revenue Funds (Continued)		
	Low and Moderate Income Housing	Traffic Safety	Total Special Revenue Funds
REVENUES:			
Taxes	\$ -	\$ -	\$ 271,952
Intergovernmental	-	-	2,606,537
Fines and penalties	-	17,130	17,130
Rental income	-	-	-
Investment income	2,695	-	4,835
Other revenues	-	-	824
TOTAL REVENUES	<u>2,695</u>	<u>17,130</u>	<u>2,901,278</u>
EXPENDITURES:			
Current:			
General government	4,000	-	4,000
Public safety	-	83,483	255,471
Public works	-	-	278,399
Highways and streets	-	-	1,437,639
Urban development	-	-	-
Health and welfare	-	-	1,423,104
TOTAL EXPENDITURES	<u>4,000</u>	<u>83,483</u>	<u>3,398,613</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,305)</u>	<u>(66,353)</u>	<u>(497,335)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	65,050	1,280,913
Transfers out	-	-	(325,917)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>65,050</u>	<u>954,996</u>
NET CHANGES IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	(1,305)	(1,303)	457,661
EXTRAORDINARY LOSS ON TRANSFER TO SUCCESSOR AGENCY	<u>(7,880,521)</u>	<u>-</u>	<u>(7,880,521)</u>
NET CHANGES IN FUND BALANCES	(7,881,826)	(1,303)	(7,422,860)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR, AS RESTATED	<u>7,881,826</u>	<u>-</u>	<u>8,616,239</u>
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ -</u>	<u>\$ (1,303)</u>	<u>\$ 1,193,379</u>

See independent auditors' report.

<u>Capital Projects Fund</u>		
<u>Redevelopment Agency</u>	<u>Total Capital Projects Fund</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ 271,952
-	-	2,606,537
-	-	17,130
42,329	42,329	42,329
-	-	4,835
744	744	1,568
<u>43,073</u>	<u>43,073</u>	<u>2,944,351</u>
264,603	264,603	268,603
-	-	255,471
-	-	278,399
-	-	1,437,639
82,510	82,510	82,510
-	-	1,423,104
<u>347,113</u>	<u>347,113</u>	<u>3,745,726</u>
<u>(304,040)</u>	<u>(304,040)</u>	<u>(801,375)</u>
-	-	1,280,913
-	-	<u>(325,917)</u>
-	-	<u>954,996</u>
(304,040)	(304,040)	153,621
<u>2,075,590</u>	<u>2,075,590</u>	<u>(5,804,931)</u>
1,771,550	1,771,550	(5,651,310)
<u>(1,771,550)</u>	<u>(1,771,550)</u>	<u>6,844,689</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,379</u>

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STATE GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Intergovernmental	\$ 566,000	\$ 566,000	\$ 542,549	\$ (23,451)
EXPENDITURES:				
Current:				
Highways and streets	627,146	607,146	626,900	(19,754)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(61,146)	(41,146)	(84,351)	(43,205)
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	180,653	80,653
Transfers out	(240,073)	(240,073)	(248,877)	(8,804)
TOTAL OTHER FINANCING SOURCES (USES)	(140,073)	(140,073)	(68,224)	71,849
NET CHANGE IN FUND BALANCE	(201,219)	(181,219)	(152,575)	28,644
FUND BALANCE, BEGINNING OF YEAR	152,575	152,575	152,575	-
FUND BALANCE, END OF YEAR	\$ (48,644)	\$ (28,644)	\$ -	\$ 28,644

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LOCAL TRANSPORTATION SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 7,000	\$ 7,673	\$ 14,088	\$ 6,415
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,000	7,673	14,088	6,415
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ 7,000</u>	<u>\$ 7,673</u>	<u>\$ 14,088</u>	<u>\$ 6,415</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AIR QUALITY MANAGEMENT DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 19,000	\$ 11,000	\$ 17,213	\$ 6,213
Investment income	-	-	527	527
TOTAL REVENUES	19,000	11,000	17,740	6,740
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,000	11,000	17,740	6,740
FUND BALANCE, BEGINNING OF YEAR	182,484	182,484	182,484	-
FUND BALANCE, END OF YEAR	\$ 201,484	\$ 193,484	\$ 200,224	\$ 6,740

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROPOSITION C LOCAL TRANSIT ASSISTANCE SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Intergovernmental	\$ 181,346	\$ 181,346	\$ 192,906	\$ 11,560
EXPENDITURES:				
Current:				
Highways and streets	346,745	346,745	373,362	(26,617)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(165,399)	(165,399)	(180,456)	(15,057)
OTHER FINANCING SOURCES:				
Transfers in	170,000	170,000	310,238	140,238
NET CHANGE IN FUND BALANCE	4,601	4,601	129,782	125,181
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(138,231)	(138,231)	(138,231)	-
FUND BALANCE (DEFICIT), END OF YEAR	\$ (133,630)	\$ (133,630)	\$ (8,449)	\$ 125,181

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROPOSITION A LOCAL TRANSIT ASSISTANCE SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 357,912	\$ 357,912
Other revenues	-	-	824	824
TOTAL REVENUES	-	-	358,736	358,736
EXPENDITURES:				
Current:				
Highways and streets	413,036	413,036	437,377	(24,341)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(413,036)	(413,036)	(78,641)	334,395
OTHER FINANCING SOURCES:				
Transfers in	-	-	177,068	177,068
NET CHANGE IN FUND BALANCE	(413,036)	(413,036)	98,427	511,463
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(68,416)	(68,416)	(68,416)	-
FUND BALANCE, END OF YEAR	\$ (481,452)	\$ (481,452)	\$ 30,011	\$ 511,463

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MEASURE R LOCAL TRANSIT ASSISTANCE SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 143,464	\$ 143,464
Investment income	-	-	376	376
TOTAL REVENUES	-	-	143,840	143,840
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	143,840	143,840
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	248,877	248,877
Transfers out	-	-	(77,040)	(77,040)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	171,837	171,837
NET CHANGE IN FUND BALANCE	-	-	315,677	315,677
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 315,677	\$ 315,677

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY ORIENTED POLICE SERVICES SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 110,700	\$ 100,000	\$ 100,000	\$ -
Investment income	-	-	178	178
TOTAL REVENUES	110,700	100,000	100,178	178
EXPENDITURES:				
Current:				
Public safety	158,632	158,632	171,988	(13,356)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(47,932)	(58,632)	(71,810)	(13,178)
OTHER FINANCING SOURCES:				
Transfers in	60,000	60,000	69,027	9,027
NET CHANGE IN FUND BALANCE	12,068	1,368	(2,783)	(4,151)
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	20,144	20,144	20,144	-
FUND BALANCE, END OF YEAR	\$ 32,212	\$ 21,512	\$ 17,361	\$ (4,151)

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HOUSING AUTHORITY SECTION 8 SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,179,803	\$ 1,179,803	\$ 1,237,251	\$ 57,448
Investment income	-	-	90	90
TOTAL REVENUES	1,179,803	1,179,803	1,237,341	57,538
EXPENDITURES:				
Current:				
Health and welfare	1,403,085	1,403,085	1,423,104	(20,019)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(223,282)	(223,282)	(185,763)	37,519
OTHER FINANCING SOURCES:				
Transfers in	230,000	230,000	230,000	-
NET CHANGE IN FUND BALANCE	6,718	6,718	44,237	37,519
FUND BALANCE, BEGINNING OF YEAR	230,947	230,947	230,947	-
FUND BALANCE, END OF YEAR	\$ 237,665	\$ 237,665	\$ 275,184	\$ 37,519

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LIGHTING AND LANDSCAPING SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 245,627	\$ 245,627	\$ 271,952	\$ 26,325
Intergovernmental	-	-	1,154	1,154
Investment income	-	-	969	969
TOTAL REVENUES	245,627	245,627	274,075	28,448
EXPENDITURES:				
Current:				
Public works	275,677	275,677	278,399	(2,722)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,050)	(30,050)	(4,324)	25,726
FUND BALANCE, BEGINNING OF YEAR	354,910	354,910	354,910	-
FUND BALANCE, END OF YEAR	\$ 324,860	\$ 324,860	\$ 350,586	\$ 25,726

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LOW AND MODERATE INCOME HOUSING SPECIAL REVENUE FUND

For the period from July 1, 2011 to January 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 2,695	\$ 2,695
EXPENDITURES:				
Current:				
General government	51,500	51,500	4,000	47,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(51,500)	(51,500)	(1,305)	50,195
EXTRAORDINARY LOSS ON TRANSFER TO SUCCESSOR AGENCY	-	-	(7,880,521)	(7,880,521)
NET CHANGE IN FUND BALANCE	(51,500)	(51,500)	(7,881,826)	(7,830,326)
FUND BALANCE, BEGINNING OF YEAR	7,881,826	7,881,826	7,881,826	-
FUND BALANCE, END OF YEAR	\$ 7,830,326	\$ 7,830,326	\$ -	\$ (7,830,326)

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRAFFIC SAFETY SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and penalties	\$ 15,000	\$ 15,000	\$ 17,130	\$ 2,130
EXPENDITURES:				
Current:				
Public safety	93,788	93,788	83,483	10,305
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(78,788)	(78,788)	(66,353)	12,435
OTHER FINANCING SOURCES:				
Transfers in	100,000	100,000	65,050	(34,950)
NET CHANGE IN FUND BALANCE	21,212	21,212	(1,303)	(22,515)
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE (DEFICIT), END OF YEAR	\$ 21,212	\$ 21,212	\$ (1,303)	\$ (22,515)

See independent auditors' report.

**STATISTICAL SECTION
(UNAUDITED)**

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CITY OF HAWAIIAN GARDENS

DESCRIPTION OF STATISTICAL SECTION CONTENTS

For the year ended June 30, 2012

This part of the City of Hawaiian Gardens' (the 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 say about the City's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	92
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and casino license fee.	100
<u>Debt Capacity</u> - 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.	107
<u>Demographic and Economic Information</u> - 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.	110
<u>Operating Information</u> - 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.	112

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 Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ (10,738,130)	\$ (8,382,519)	\$ (8,112,953)
Restricted	1,980,322	2,492,902	3,241,677
Unrestricted	<u>9,893,035</u>	<u>8,208,447</u>	<u>11,264,102</u>
Total net assets	<u>\$ 1,135,227</u>	<u>\$ 2,318,830</u>	<u>\$ 6,392,826</u>

The City of Hawaiian Gardens implemented GASB Statement No. 34 for the fiscal year ended June 30, 2004. Information prior to the implementation is not available.

Fiscal Year					
<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
\$ (6,487,493)	\$ (3,492,729)	\$ (4,507,696)	\$ (3,524,365)	\$ 36,451,627	\$ 34,476,494
4,395,094	5,707,857	6,937,550	7,835,302	8,897,227	5,067,991
<u>12,401,215</u>	<u>12,813,583</u>	<u>17,668,250</u>	<u>18,950,754</u>	<u>(21,637,253)</u>	<u>20,937,060</u>
<u>\$ 10,308,816</u>	<u>\$ 15,028,711</u>	<u>\$ 20,098,104</u>	<u>\$ 23,261,691</u>	<u>\$ 23,711,601</u>	<u>\$ 60,481,545</u>

CITY OF HAWAIIAN GARDENS

CHANGES IN NET ASSETS

Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2003-04	2004-05	2005-06
Expenses			
Governmental activities:			
General government	\$ 4,518,330	\$ 5,762,647	\$ 6,577,405
Public safety	2,184,435	2,748,910	2,687,259
Public works	1,250,952	1,308,662	1,384,822
Highways and streets	938,543	2,240,664	2,577,800
Culture and recreation	2,042,629	2,489,541	3,136,595
Urban development	876,822	1,382,237	1,037,822
Health and welfare	1,034,321	976,007	975,746
Interest on long-term debt	4,969,273	2,359,155	2,339,139
Total governmental activities expenses	<u>17,815,305</u>	<u>19,267,823</u>	<u>20,716,588</u>
Program Revenues			
Governmental activities:			
Charges for services			
General government	74,480	100,849	96,878
Public safety	446,443	461,542	658,938
Public works	265,319	288,899	269,998
Culture and recreation	518,272	523,941	577,301
Health and welfare	699	4,974	109,180
Operating grants and contributions	2,279,547	2,525,149	2,931,450
Capital grants and contributions	-	-	506,710
Total governmental activities program revenues	<u>3,584,760</u>	<u>3,905,354</u>	<u>5,150,455</u>
Net (Expense)/Revenue - Governmental Activities	<u>(14,230,545)</u>	<u>(15,362,469)</u>	<u>(15,566,133)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property taxes	4,221,075	4,679,678	5,337,310
Business license taxes	7,644,733	9,306,103	10,804,786
Sales taxes	540,526	615,476	634,205
Franchise taxes	243,083	155,249	162,522
Other taxes	39,206	47,780	73,352
Motor vehicle in lieu, unrestricted	761,054	1,021,176	1,517,327
Investment income	402,806	461,737	585,675
Other general revenues	177,809	258,873	524,952
Total governmental activities	<u>14,030,292</u>	<u>16,546,072</u>	<u>19,640,129</u>
Change in net assets before extraordinary gain	(200,253)	1,183,603	4,073,996
Extraordinary gain on dissolution of RDA	-	-	-
Change in Net Assets	<u>\$ (200,253)</u>	<u>\$ 1,183,603</u>	<u>\$ 4,073,996</u>

The City of Hawaiian Gardens implemented GASB Statement No. 34 for the fiscal year ended June 30, 2004. Information prior to the implementation is not available.

Source: City of Hawaiian Gardens, Finance Department

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 6,062,061	\$ 6,376,603	\$ 8,743,259	\$ 10,072,928	\$ 8,775,983	\$ 6,191,160
3,076,208	3,211,600	3,575,518	3,552,391	3,443,643	3,398,478
1,564,133	1,891,194	1,821,252	1,764,726	1,550,686	1,775,077
2,114,683	3,042,425	2,759,782	1,830,911	1,454,659	1,437,639
4,007,930	3,867,286	3,899,959	3,491,850	3,709,136	7,686,306
822,744	996,756	821,009	624,566	3,335,270	658,504
926,553	1,061,060	1,255,981	1,277,996	1,324,531	1,434,204
3,411,036	2,470,165	2,324,079	2,208,365	2,127,469	1,216,576
<u>21,985,348</u>	<u>22,917,089</u>	<u>25,200,839</u>	<u>24,823,733</u>	<u>25,721,377</u>	<u>23,797,944</u>
102,814	135,651	350,998	8,416	3,273	21,797
568,487	986,372	208,209	98,194	1,000	85,249
281,424	299,565	889,034	623,352	469,288	519,232
313,776	94,197	120,450	104,572	114,225	187,863
104,680	105,486	129,483	195,253	2,145	260
3,266,016	2,488,580	3,651,069	3,982,760	3,580,784	3,982,145
83,129	499,736	529,850	627,892	3,265	321,527
<u>4,720,326</u>	<u>4,609,587</u>	<u>5,879,093</u>	<u>5,640,439</u>	<u>4,173,980</u>	<u>5,118,073</u>
<u>(17,265,022)</u>	<u>(18,307,502)</u>	<u>(19,321,746)</u>	<u>(19,183,294)</u>	<u>(21,547,397)</u>	<u>(18,679,871)</u>
5,841,469	6,106,660	7,195,328	6,405,122	5,966,338	3,793,578
11,676,652	13,252,065	14,117,458	13,372,929	12,760,534	12,738,887
690,784	694,394	705,319	625,572	654,284	723,098
168,341	153,861	181,547	182,528	186,371	197,451
62,424	52,189	31,514	67,964	124,417	143,522
1,325,587	1,426,058	1,454,009	1,339,490	1,317,884	7,877
1,237,348	1,153,044	617,954	288,510	134,720	47,942
178,407	189,126	88,010	64,766	409,073	311,548
<u>21,181,012</u>	<u>23,027,397</u>	<u>24,391,139</u>	<u>22,346,881</u>	<u>21,553,621</u>	<u>17,963,903</u>
3,915,990	4,719,895	5,069,393	3,163,587	6,224	(715,968)
-	-	-	-	-	37,867,843
<u>\$ 3,915,990</u>	<u>\$ 4,719,895</u>	<u>\$ 5,069,393</u>	<u>\$ 3,163,587</u>	<u>\$ 6,224</u>	<u>\$ 37,151,875</u>

CITY OF HAWAIIAN GARDENS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Nine Fiscal Years (Notes 1 and 2)
(modified accrual basis of accounting)

	Fiscal Year		
	2003-04	2004-05	2005-06
General Fund			
Nonspendable			
Unassigned			
Total General Fund			
All Other Governmental Funds			
Nonspendable			
Restricted			
Public safety			
Public works			
Debt service			
Highways and streets			
Urban development			
Health and welfare			
Unassigned			
Total All Other Governmental Funds			
Total All Governmental Funds			
General Fund			
Reserved	\$ 1,896,311	\$ 1,260,252	\$ 2,766,990
Unreserved	4,023,686	5,787,267	7,708,295
Total General Fund	<u>5,919,997</u>	<u>7,047,519</u>	<u>10,475,285</u>
All Other Governmental Funds			
Reserved	9,077,676	6,310,926	6,102,532
Unreserved, reported in:			
Special revenue funds	1,738,165	2,372,878	3,193,682
Capital projects funds	2,333,389	-	-
Total All Other Governmental Funds	<u>13,149,230</u>	<u>8,683,804</u>	<u>9,296,214</u>
Total All Governmental Funds	<u>\$ 19,069,227</u>	<u>\$ 15,731,323</u>	<u>\$ 19,771,499</u>

Note 1: The City of Hawaiian Gardens implemented GASB Statement No. 34 for the fiscal year ended June 30, 2004. Information prior to the implementation is not available.

Note 2: The City implemented GASB Statement No. 54 for the fiscal year ended June 30, 2011. This statement changed the fund balance presentation for governmental funds. Fund balance data in accordance with GASB Statement No. 54 is not available for years prior to fiscal year 2010-11.

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
				\$ -	\$ 3,771,450
				20,095,731	15,443,364
				<u>20,095,731</u>	<u>19,214,814</u>
				4,847	2,980,396
				94,485	17,361
				2,855,060	348,163
				252,140	-
				332,635	560,000
				7,881,826	-
				230,947	275,184
				(4,480,770)	(12,175)
				<u>7,171,170</u>	<u>4,168,929</u>
				<u>\$ 27,266,901</u>	<u>\$ 23,383,743</u>
\$ 3,753,111	\$ 3,316,082	\$ 3,960,018	\$ 5,685,769		
<u>9,742,260</u>	<u>10,892,539</u>	<u>12,602,337</u>	<u>15,348,649</u>		
<u>13,495,371</u>	<u>14,208,621</u>	<u>16,562,355</u>	<u>21,034,418</u>		
12,958,711	6,036,262	9,258,799	8,631,506		
4,344,677	5,322,579	1,071,053	699,391		
(52,096)	(81,077)	(279,391)	(2,496,232)		
<u>17,251,292</u>	<u>11,277,764</u>	<u>10,050,461</u>	<u>6,834,665</u>		
<u>\$ 30,746,663</u>	<u>\$ 25,486,385</u>	<u>\$ 26,612,816</u>	<u>\$ 27,869,083</u>		

CITY OF HAWAIIAN GARDENS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year		
	2003-04	2004-05	2005-06
Revenues			
Taxes	\$ 5,748,930	\$ 6,354,896	\$ 7,084,914
Licenses and permits	8,225,915	9,824,414	11,490,064
Intergovernmental	2,333,356	2,816,312	3,704,233
Foundation contributions	5,670	5,940	506,710
Charges for services	49,764	79,748	90,381
Fines and penalties	117,367	130,773	176,779
Rental income	996,605	977,859	1,005,169
Investment income	402,806	473,692	585,785
Other revenue	197,056	247,392	466,147
Gain on sale of agency property	-	-	140,002
Total Revenues	<u>18,077,469</u>	<u>20,911,026</u>	<u>25,250,184</u>
Expenditures			
Current:			
General government	3,823,732	4,730,487	4,718,045
Public safety	2,181,900	2,731,411	2,684,724
Public works	1,013,922	1,237,449	1,204,851
Highways and streets	938,543	5,970,605	2,220,587
Culture and recreation	1,983,416	2,381,893	2,726,177
Urban development	876,822	1,382,237	1,673,136
Health and welfare	1,029,550	967,713	969,686
Capital outlay	1,181,960	1,318,204	1,822,340
Debt Service:			
Principal	570,000	600,000	630,000
Interest	3,219,163	2,928,931	2,801,435
Payment to bond escrow agent	2,789,912	-	-
Cost of issuance	1,138,239	-	-
Bond premiums and discounts	102,644	-	-
Total Expenditures	<u>20,849,803</u>	<u>24,248,930</u>	<u>21,450,981</u>
Excess of revenues over/(under) expenditures	<u>(2,772,334)</u>	<u>(3,337,904)</u>	<u>3,799,203</u>
Other Financing Sources/(Uses)			
Transfers in	4,298,522	1,861,413	2,136,556
Transfers out	(4,298,522)	(1,861,413)	(2,136,556)
Sale of property	-	-	240,973
Issuance of long-term debt	34,530,000	-	-
Payment to bond escrow agent	(27,329,462)	-	-
Bond premium	-	-	-
Total other financing sources/(uses)	<u>7,200,538</u>	<u>-</u>	<u>240,973</u>
Net change in fund balances before extraordinary item	4,428,204	(3,337,904)	4,040,176
Extraordinary loss on dissolution of RDA	-	-	-
Net change in fund balances	<u>\$ 4,428,204</u>	<u>\$ (3,337,904)</u>	<u>\$ 4,040,176</u>
Debt service as a percentage of noncapital exp.	31.98%	18.19%	21.46%

Source: City of Hawaiian Gardens, Finance Department

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 7,842,778	\$ 8,071,962	\$ 10,500,124	\$ 9,464,075	\$ 7,990,645	\$ 4,932,237
12,280,520	14,257,240	14,526,268	13,685,819	13,053,035	13,092,096
3,768,272	3,231,958	2,877,183	3,505,975	3,557,418	3,996,356
83,150	499,250	529,850	504,800	-	-
87,900	103,602	843,071	344,766	261,805	309,501
168,314	159,332	183,713	96,944	110,825	85,477
141,426	145,003	109,186	131,250	127,593	120,877
1,237,348	1,153,044	502,948	156,328	134,720	46,374
341,491	232,753	143,299	83,801	507,906	177,531
-	-	-	-	-	-
<u>25,951,199</u>	<u>27,854,144</u>	<u>30,215,642</u>	<u>27,973,758</u>	<u>25,743,947</u>	<u>22,760,449</u>
4,935,292	5,371,729	7,723,707	9,016,829	7,081,365	5,319,270
3,073,673	3,198,515	3,572,983	3,549,856	3,441,839	3,396,674
1,207,237	1,275,918	1,306,535	1,557,724	1,532,211	1,552,330
1,660,678	1,242,829	1,323,897	1,257,060	1,412,771	1,437,639
3,126,003	3,419,025	3,525,838	3,173,330	3,426,149	3,635,312
1,050,126	1,250,831	820,063	624,566	370,302	631,959
916,166	1,050,616	1,247,533	1,269,548	1,313,431	1,423,104
3,228,704	10,182,424	4,451,112	1,294,095	3,990,791	4,194,454
705,000	3,320,000	2,340,000	2,245,000	1,140,000	1,216,792
2,784,104	2,802,535	2,777,543	2,729,483	2,637,270	1,051,776
759,204	-	-	-	-	-
389,237	-	-	-	-	-
-	-	-	-	-	-
<u>23,835,424</u>	<u>33,114,422</u>	<u>29,089,211</u>	<u>26,717,491</u>	<u>26,346,129</u>	<u>23,859,310</u>
<u>2,115,775</u>	<u>(5,260,278)</u>	<u>1,126,431</u>	<u>1,256,267</u>	<u>(602,182)</u>	<u>(1,098,861)</u>
11,527,855	6,957,342	3,092,410	3,216,017	1,980,053	5,394,736
(11,527,855)	(6,957,342)	(3,092,410)	(3,216,017)	(1,980,053)	(5,394,736)
98,888	-	-	-	-	-
12,505,000	-	-	-	-	346,741
(3,934,042)	-	-	-	-	-
189,543	-	-	-	-	-
<u>8,859,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>346,741</u>
10,975,164	(5,260,278)	1,126,431	1,256,267	(602,182)	(752,120)
-	-	-	-	-	(3,131,038)
<u>\$ 10,975,164</u>	<u>\$ (5,260,278)</u>	<u>\$ 1,126,431</u>	<u>\$ 1,256,267</u>	<u>\$ (602,182)</u>	<u>\$ (3,883,158)</u>
15.71%	23.86%	19.08%	18.92%	14.48%	9.57%

CITY OF HAWAIIAN GARDENS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30	Secured					
	Residential	Commercial	Industrial	Institutional	Vacant	Recreational
2003	\$ 273,273,697	\$ 68,262,051	\$ 16,223,347	\$ 6,684,160	\$ 11,392,801	\$ 3,932,476
2004	301,657,645	73,215,037	16,774,849	6,817,835	12,762,414	7,518,978
2005	331,432,524	85,973,005	19,833,210	6,794,999	8,664,687	7,524,731
2006	394,533,179	90,685,021	23,871,485	6,571,000	8,928,558	8,031,934
2007	429,458,297	102,336,916	39,852,099	6,702,418	12,743,080	8,989,550
2008	490,057,033	111,372,731	41,520,674	6,836,461	14,252,914	9,173,009
2009	504,753,584	111,280,537	44,685,280	6,973,188	13,298,562	9,356,466
2010	437,985,474	108,554,772	45,077,422	7,112,649	12,212,000	24,372,514
2011	410,190,220	114,897,254	41,533,040	7,095,787	12,413,298	24,324,737
2012	414,140,064	116,297,871	40,726,780	7,149,214	11,187,970	24,507,897

Notes:

Note 1: 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 of 2%). With few exceptions, property is only re-assessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is re-assessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. 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.

Note 2: The Other Category includes irrigated and cross reference property.

<u>Secured Other (Note 2)</u>	<u>Unsecured</u>	<u>SBE Nonunitary</u>	<u>Taxable Assessed Value (Note 1)</u>	<u>Total Direct Rate</u>
\$ 2,690,099	\$ 18,315,837	\$ 15,200	\$ 400,789,668	87.139%
3,396,173	15,701,171	15,200	437,859,302	88.208%
3,613,828	16,138,352	15,200	479,990,536	89.231%
3,876,255	23,510,432	15,200	560,023,064	91.096%
4,054,012	20,638,106	15,200	624,789,678	92.027%
3,654,949	20,556,067	30,250	697,454,088	92.833%
3,685,612	22,559,776	30,250	716,623,255	93.020%
3,744,895	22,703,802	30,250	661,793,778	92.373%
3,437,507	23,404,804	30,250	637,326,897	92.038%
3,729,247	21,711,071	30,250	639,480,364	92.074%

CITY OF HAWAIIAN GARDENS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Basic Levy (Note 1)	1.00000	1.00000	1.00000	1.00000
Overlapping Rates (Note 2):				
ABC Unified School District	0.02779	0.02490	0.02657	0.02745
Cerritos Community College District	0.00000	0.00000	0.01908	0.02424
County Detentions Facility 1987 Debt	0.00103	0.00099	0.00092	0.00080
LA County Flood Control	0.00088	0.00046	0.00025	0.00005
Long Beach Community College District	0.00000	0.01171	0.01239	0.01857
Long Beach Unified School District	0.03519	0.04285	0.04667	0.04075
Metropolitan Water District	0.00670	0.00610	0.00580	0.00520
Total Direct & Overlapping Tax Rates	<u>1.07159</u>	<u>1.08701</u>	<u>1.11168</u>	<u>1.11706</u>
City's Share of 1% Levy Per Prop 13 (Note 3)	0.05602	0.05602	0.05602	0.05602
Redevelopment Rate (Note 4)	1.00861	1.00755	1.00697	1.00604
Total Direct Rate (Note 5)	0.87139	0.88208	0.89231	0.91096

Notes:

Note 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.

Note 2: Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

Note 3: City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city.

Note 4: Redevelopment rate is based on the largest redevelopment tax rate area (TRA) and includes only rates(s) from indebtedness adopted prior to 1989 per California State statute. Redevelopment direct and overlapping rates are applied only to the incremental property values.

Note 5: Total Direct Rate is the weighted average of all individual direct rates applied by the City.

Fiscal Year					
<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.02427	0.02434	0.02388	0.02695	0.02920	0.02858
0.02392	0.01071	0.00994	0.01854	0.02677	0.01782
0.00066	0.00000	0.00000	0.00000	0.00000	0.00000
0.00005	0.00000	0.00000	0.00000	0.00000	0.00000
0.01153	0.01839	0.02181	0.02392	0.02559	0.02615
0.03811	0.03457	0.03220	0.08663	0.08834	0.09223
0.00470	0.00450	0.00430	0.00430	0.00370	0.00370
<u>1.10324</u>	<u>1.09251</u>	<u>1.09213</u>	<u>1.16034</u>	<u>1.17360</u>	<u>1.16848</u>
0.05602	0.05602	0.05602	0.05602	0.05602	0.05602
1.00541	1.00450	1.00430	1.00430	1.00370	1.00370
0.92027	0.92833	0.93020	0.92373	0.92038	0.92074

CITY OF HAWAIIAN GARDENS
 PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2011-12		Fiscal Year 2002-03	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Cerritos Gardens General Hospital Company	1 \$ 20,557,707	3.21%	1 \$ 20,572,863	5.13%
Irving I Moskowitz Foundation	2 16,471,710	2.58%		
HPE Hawaiian Gardens Retail LLC	3 14,927,309	2.33%		
ESS PRISA III Owner LLC	4 13,794,539	2.16%		
Stanton H. Wong Trust	5 9,814,951	1.53%		
Hawaiian Gardens Square	6 9,624,770	1.51%	8 5,590,000	1.39%
DV Properties	7 9,294,908	1.45%		
Whelan Investments NC	8 8,803,904	1.38%	7 5,619,050	1.40%
Colton Hawaiian Gardens LLC	9 8,503,240	1.33%		
John E. & Linda M. Franklin Trust	10 8,176,360	1.28%		
JJJ Enterprises Limited			2 7,577,000	1.89%
Norwalk Carson Associates LLC			3 6,683,950	1.67%
Hawaiian Gardens Apartments			4 5,939,003	1.48%
Susa Partnership LLP			5 5,866,360	1.46%
Almost Cypress Limited			6 5,711,250	1.42%
AU Zone Investments No 2 LP			9 4,409,941	1.10%
CCGMNG I LLC			10 4,335,000	1.08%
	<u>\$ 119,969,398</u>	<u>18.76%</u>	<u>\$ 72,304,417</u>	<u>18.04%</u>

Source: The HdL Companies

CITY OF HAWAIIAN GARDENS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy (1)	
		Amount	Percent of Levy
2003	\$ 144,477	\$ 119,484	82.70%
2004	139,586	134,811	96.58%
2005	137,132	126,822	92.48%
2006	141,641	129,899	91.71%
2007	142,336	129,711	91.13%
2008	139,771	145,354	103.99%
2009	146,503	146,950	100.31%
2010	146,248	127,993	87.52%
2011	148,819	128,074	86.06%
2012	152,552	135,750	88.99%

Note 1: Property taxes are levied and collected by the County of Los Angeles on behalf of the City. Data on total collections to date is not available to the Cities within the County of Los Angeles.

Note: 2 These numbers have been revised from the prior year.

CITY OF HAWAIIAN GARDENS
 LICENSE FEE (CASINO) AND COLLECTIONS

Last Nine Fiscal Years

Fiscal Year Ended June 30	Total Casino Fee	Collected within the Fiscal Year of Revenue		Collections in Subsequent Years	Collections to Date	
		Amount	Percent of Fee		Amount	Percent of Fee
2004	\$ 7,644,733	\$ 6,959,333	91.03%	\$ 685,400	\$ 7,644,733	100.00%
2005	9,287,686	8,466,578	91.16%	821,108	9,287,686	100.00%
2006	10,804,786	9,906,815	91.69%	897,971	10,804,786	100.00%
2007	11,676,652	10,703,744	91.67%	972,908	11,676,652	100.00%
2008	13,252,065	12,104,703	91.34%	1,147,362	13,252,065	100.00%
2009	13,754,068	12,661,189	92.05%	1,092,879	13,754,068	100.00%
2010	12,838,324	11,864,727	92.42%	973,597	12,838,324	100.00%
2011	12,257,796	11,248,446	91.77%	1,009,349	12,257,795	100.00%
2012	12,238,200	11,285,260	92.21%	953,939	12,239,199	100.01%

Notes:

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

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

CITY OF HAWAIIAN GARDENS

RATIO OF OUTSTANDING DEBT BY TYPE AND
RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities - General Bonded Debt			Percent of Assessed Value (2)	Percent of Personal Income (1)	Debt Per Capita (1)
	Tax Allocation Bonds	Certificates of Participation	Total			
2003	\$ 36,056,644	\$ 4,490,000	\$ 40,546,644	10.12%	24%	\$ 2,652
2004	40,845,000	4,390,000	45,235,000	10.33%	26%	2,910
2005	40,350,000	4,285,000	44,635,000	9.30%	25%	2,851
2006	39,530,000	4,170,000	43,700,000	7.80%	24%	2,773
2007	51,635,000	-	51,635,000	8.26%	27%	3,271
2008	48,315,000	-	48,315,000	6.93%	25%	3,064
2009	45,975,000	-	45,975,000	6.42%	24%	2,913
2010	43,730,000	-	43,730,000	6.61%	23%	2,763
2011	42,590,000	-	42,590,000	6.68%	19%	2,681
2012	- (3)	-	-	0.00%	0%	-

Note 1: The ratios are calculated using personal income and population, respectively, for the prior calendar year.

Note 2: Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Note 3: Upon dissolution of the former redevelopment agency on February 1, 2012, the tax allocation bond debt was transferred to the Successor Agency and is no longer an obligation of the City.

CITY OF HAWAIIAN GARDENS

DIRECT AND OVERLAPPING BONDED DEBT SCHEDULE

As of June 30, 2012

Overlapping Debt (Note 1):	Debt Outstanding	Percent Applicable To City	Estimated City's Share of Overlapping Debt 6/30/2012
Metropolitan Water District	\$ 94,031,705	0.006%	\$ 5,530
Cerritos CC DS 2004 Series A	2,675,000	1.797%	48,069
Cerritos CC DS 2005 Refunding Bonds	21,797,904	1.797%	391,703
Cerritos CC DS 2004 Series 2006	30,645,000	1.797%	550,683
Cerritos CC DS 2004 Series 2009 C & 2012	134,130,515	1.797%	2,410,290
Long Beach CCD Various	188,551,907	0.001%	1,131
ABC Unified School District 2003 Refunding Bonds	44,396,700	5.390%	2,392,967
ABC Unified School District 2010 Refunding Bonds	9,250,000	5.390%	498,572
Long Beach Unified School District DS Various	536,652,292	0.001%	3,221
Total Overlapping Debt			6,302,166
City of Hawaiian Gardens Direct Debt at 6/30/12	-	100.000%	-
Total Net Direct and Overlapping Governmental Debt			\$ 6,302,166
2011-12 Assessed Valuation	\$ 639,480,364		
Ratios to 2011/12 Assessed Valuation:			
Direct Debt		0.00%	
Overlapping Debt		0.99%	
Total Debt (Direct & Overlapping)		0.99%	

Note 1: 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. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Note 2: Excludes all non-bonded notes and capital lease obligations. Also excludes the Successor Agency's tax allocation bonds.

Source: The HdL Companies

CITY OF HAWAIIAN GARDENS

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

Legal Debt Margin Calculation for the Current Year:

Assessed value	\$ 639,480,364
Debt limit (15% of assessed value)	95,922,055
Debt applicable to limit (see Note)	-
Legal debt margin - Current Year	<u><u>\$ 95,922,055</u></u>

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
2002-03	\$ 60,118,450	\$ -	\$ 60,118,450	0%
2003-04	65,678,895	-	65,678,895	0%
2004-05	71,998,580	-	71,998,580	0%
2005-06	84,003,460	-	84,003,460	0%
2006-07	93,718,452	-	93,718,452	0%
2007-08	104,618,113	-	104,618,113	0%
2008-09	107,493,488	-	107,493,488	0%
2009-10	99,269,067	-	99,269,067	0%
2010-11	95,599,035	-	95,599,035	0%
2011-12	95,922,055	-	95,922,055	0%

Note: Through fiscal year 2011-12, the City's Tax Allocation Bonds have been excluded from the calculation because they are not general obligation debt. Upon dissolution of the former redevelopment agency on February 1, 2012, the tax allocation bonds were transferred to the Successor Agency and are no longer an obligation of the City.

CITY OF HAWAIIAN GARDENS
 DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	City Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2002	15,288	\$ 168,238	\$ 11,005	7.2%
2003	15,544	173,068	11,134	7.5%
2004	15,657	178,551	11,404	7.0%
2005	15,758	183,803	11,664	6.1%
2006	15,788	190,257	12,051	5.4%
2007	15,767	194,056	12,308	5.7%
2008	15,784	195,202	12,367	8.4%
2009	15,825	192,757	12,181	13.0%
2010	15,884	221,884	13,969	7.0%
2011	14,303	222,297	15,542	13.8%

Source: The HdL Companies

CITY OF HAWAIIAN GARDENS

PRINCIPAL EMPLOYERS

Current Year and Three Years Ago

Employer	Fiscal Year 2011-12		Fiscal Year 2008-09	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Hawaiian Gardens Card Club	1,170	15.60%	1,000	13.3333%
Tri-City Medical Center	300	4.00%	350	4.6667%
ABC Unified School District	200	2.67%	40	0.5333%
Zion Market	113	1.51%		
City of Hawaiian Gardens	80	1.07%	81	1.0800%
Total Building Care, Inc.	70	0.93%	70	0.9333%
Cypress Garden Villas	70	0.93%	70	0.9333%
Howard Contracting Inc.	50	0.67%	50	0.6667%
Richmond Plastering Inc.	50	0.67%	50	0.6667%
Patchman Plastering Inc.	45	0.60%	45	0.6000%
Outdoor Living Products, Inc.			40	0.5333%

Source: City of Hawaiian Gardens Community Development Department

CITY OF HAWAIIAN GARDENS

FULL-TIME AND PART-TIME CITY EMPLOYEES

Last Nine Fiscal Years

Function	Fiscal Year Ended June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	19	19	19	18	15	16	16	11	11
Public Safety	6	6	6	6	6	6	6	7	3
Public Works	11	11	11	6	8	8	8	8	8
Culture and Recreation	30	30	30	36	35	36	36	40	42
Highways and Streets	6	6	6	6	6	6	6	6	6
Urban Development	9	9	9	7	9	9	9	8	8
	<u>81</u>	<u>81</u>	<u>81</u>	<u>79</u>	<u>79</u>	<u>81</u>	<u>81</u>	<u>80</u>	<u>78</u>

Note: Information for years prior to 2003-04 is not available.

CITY OF HAWAIIAN GARDENS

OPERATING INDICATORS BY FUNCTION

Last Seven Fiscal Years

Function	Fiscal Year Ended June 30,						
	2006	2007	2008	2009	2010	2011	2012
Police:							
Physical arrests	527	486	686	584	706	542	596
Parking violations	2,028	258	2,885	2,647	1,918	1,783	2,151
Traffic violations	1,087	1,750	1,837	1,791	2,304	1,824	1,672
Highways and Streets:							
Street resurfacing (miles)	1	2	1	1	1	-	N/A
Potholes repaired	78	89	72	86	72	62	2
Human Services:							
Senior Center Programs:							
Classes and activities	190	191	195	193	190	200	132
Number of Participants	32,396	34,206	38,200	38,107	36,000	36,500	53,640
Excursions	27	32	35	34	38	30	24
Number of Participants	969	1,214	1,400	1,375	1,500	1,000	960
Special events	21	21	21	20	19	19	19
Number of Participants	1,917	2,234	2,910	3,022	3,200	4,000	12,757
Transportation:							
Number of passengers	28,148	31,027	31,356	31,004	16,390	20,000	21,886
Mileage	75,570	76,083	77,770	76,289	63,320	68,000	62,504
Recreation:							
Classes and activities	180	178	182	186	201	211	263
Number of participants	78,016	77,094	79,565	80,434	85,000	87,000	180,539
Special events	21	21	22	22	24	28	26
Number of participants	11,005	11,430	15,010	14,699	27,000	29,000	19,870
Number of facility rentals	26	18	23	21	19	22	20

Notes:

Information for years prior to 2005-06 is not available.

N/A - Not Available

CITY OF HAWAIIAN GARDENS
CAPITAL ASSET STATISTICS BY FUNCTION

Last Eight Fiscal Years

Function	Fiscal Year Ended June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety:								
Vehicles	3	3	3	3	3	3	3	1
Public Works:								
Vehicles	28	29	28	31	31	31	31	28
Highways and Streets:								
Streets (miles)	16	16	16	16	16	16	17	23
Traffic signals	15	15	15	15	15	15	15	17
Culture and Recreation:								
Vehicles	3	2	2	2	2	2	1	2
Parks acreage	13	13	13	13	13	13	13	13
Parks acreage	3	3	3	3	3	3	3	3
Swimming pools	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1
Health and Welfare:								
Vehicles	4	6	6	5	5	5	7	7

Note: Information for years prior to 2004-05 is not available.