

**CITY OF HAWAIIAN GARDENS, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**



**CITY OF HAWAIIAN GARDENS, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Prepared By:  
Finance Department

Sandra Soto  
Interim Finance Director



CITY OF HAWAIIAN GARDENS

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## **INTRODUCTORY SECTION**

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# CITY OF HAWAIIAN GARDENS

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February 4, 2014

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, 2013. 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, 2013, 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, 2013, were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City’s internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

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 14,375.

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 Successor Agency to the Redevelopment Agency created in Fiscal Year 2011-2012 and the activity of that Agency is reported in a fiduciary private-purpose trust fund within the City's Financial Statements. The City 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 Manager uses these requests as the starting point for developing a Preliminary Budget. The City Manager then presents this proposed budget to the City 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

Members of the City Council and Residents of the City of Hawaiian Gardens:  
February 4, 2014

government fund for which an appropriated annual budget has been adopted. Formal budgetary integration is not employed for capital project funds because effective budgetary control is achieved through 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 continues to have a financial impact on the City, although the situation improved slightly in some areas during Fiscal Year 2012-2013 , The revenues from the City’s major revenue source which is the license fee of the Hawaiian Gardens Casino; declined again during the fiscal year. The casino license fee decreased by \$926,272 (about -7.56%) compared to the previous year. Following is a summary which shows each month’s license fee revenue compared to the prior year.

<b>Hawaiian Gardens Casino</b>			
<b>License Fee Revenue</b>			
	<b>FY 2011/12</b>	<b>FY 2012/13</b>	<b>Change</b>
<b>July</b>	\$ 1,068,495	\$ 990,042	-7.34%
<b>August</b>	1,018,659	968,352	-4.94%
<b>September</b>	1,001,318	931,668	-6.96%
<b>October</b>	1,020,925	947,045	-7.24%
<b>November</b>	1,015,279	958,469	-5.60%
<b>December</b>	1,066,309	982,572	-7.85%
<b>January</b>	1,025,921	921,621	-10.17%
<b>February</b>	961,889	848,312	-11.81%
<b>March</b>	1,076,806	970,674	-9.86%
<b>April</b>	1,024,789	901,190	-12.06%
<b>May</b>	1,003,871	976,144	-2.76%
<b>June</b>	953,939	915,840	-3.99%
<b>Total</b>	<b>\$ 12,238,200</b>	<b>\$ 11,311,928</b>	<b>-7.56%</b>

During Fiscal Year 2012-2013 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:  
February 4, 2014

**Long-term financial planning.** The City adopted a new Fiscal Policy in June of 2013 which provided for the assignment of committed fund balances. Pursuant to the requirements of GASB 54 the specific contingencies for the use of the committed fund balances (reserves), are a \$15 million in “General Fund Committed Fund Balance” (reserve) and a \$750,000 for “General Fund Equipment Replacement Committed Fund Balance” (reserve). The annual contribution was increased to \$1.1 million per year until both are fully funded. The Fiscal Year 2013-2014 budget provides for both of these to be fully funded by June 30, 2014.

During Fiscal Year 2011-2012, the State dissolved the Redevelopment Agency and established Successor Agencies to carry on the legal obligations of the former 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. 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 advance 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 2014-2015 from tax increment received by the Successor Agency. The amount of the 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.

Repayments are based upon the amount of funds available to be transferred to the taxing agencies and cannot be determined at this time; under these requirements it is expected that the funds available to repay the advance will be severely restricted and it will take a number of years to repay the advance.

The City had \$6.1 million in advances between the City and the Agency but was required to re-calculate the interest at the LAIF rate, rather than the 8 percent rate stated in the agreement between the City and the Agency. Furthermore, the City was also required to write-off 20% of the principal of the advance because 20% is now required to be transferred to the Housing Successor Agency. Before the advance between the City and the Agency can be repaid the amounts owed by the former Redevelopment Agency (\$2.9 million) to the Housing Successor Agency, must first be repaid. After the write-offs the advance will be reduced to about \$3 million.

In addition, as with the Housing Set-Aside Fund advance, the funds available to repay the advance are also restricted. As a result the time frame to repay the advance to the General Fund is expected to be more than 15 years.

Revenues are expected to further decline in Fiscal Year 2013-2014 and this reduced level of funding is expected to continue into Fiscal Year 2014-15. Revenues are not expected to stabilize until Fiscal Year 2015-2016 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

Members of the City Council and Residents of the City of Hawaiian Gardens:  
February 4, 2014

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.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) last awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hawaiian Gardens for its Comprehensive Annual Financial Report (CAFR) 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 the Fiscal Year 2011-12 CAFR, the City did not submit that year's report for a Certificate of Achievement for Excellence in Financial Reporting. However, the City is submitting this year's report for an award.

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,

A handwritten signature in black ink, appearing to read 'Ernesto Marquez', with a stylized flourish at the end.

Ernesto Marquez, City Manager

CITY OF HAWAIIAN GARDENS  
List of Elected and Appointed Officials  
Fiscal Year Ended June 30, 2013

Elected Officials

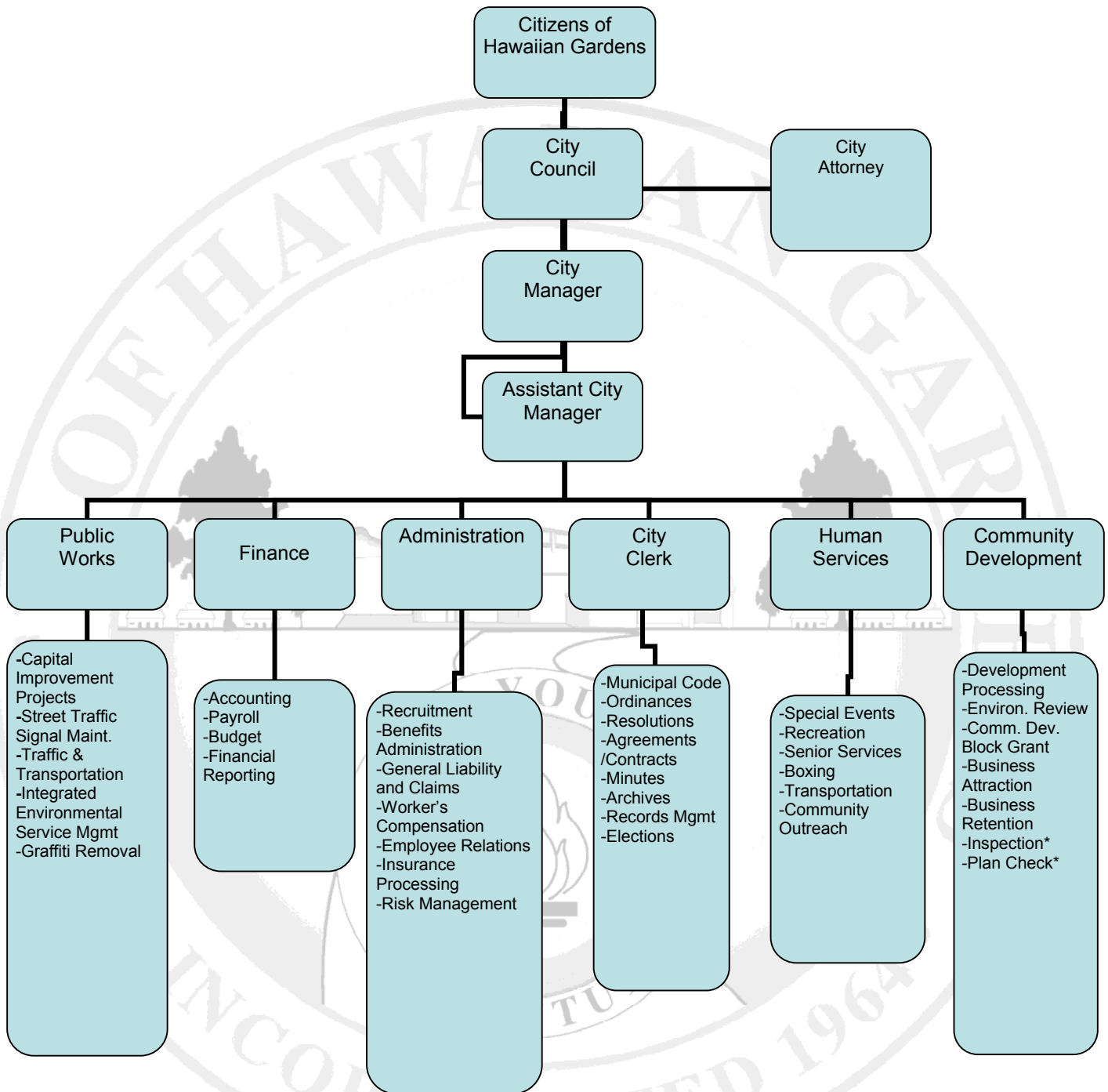
Mayor	Victor A. Farfan
Mayor Pro Tem	Michael S. Gomez
Councilmember	Michiko Oyama-Canada
Councilmember	Reynaldo Rodriguez
Councilmember	Barry Bruce

Appointed Officials

City Manager	Ernesto Marquez
City Attorney	Omar Sandoval
City Clerk	Sue Underwood
Community Development Director	Joseph Colombo
Finance Director/Treasurer	Vacant
Human Resources Manager	Vacant
Human Services Director	Steve J. Gomez
Public Works Superintendent	Joe Vasquez



City of Hawaiian Gardens  
 Organization Chart  
 June 30, 2013



\*Contract Services  
 \*\*County Service

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note 1D to the basic financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 1D to the basic financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2012-2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 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 on them. The budgetary comparison schedules 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 of the City 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Matters (Continued):**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and individual fund schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 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 combining statements and individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Irvine, California  
February 4, 2014

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**CITY OF HAWAIIAN GARDENS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2013**

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, 2013. 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**

The comparisons in the discussion and analysis below are between FY 2011-12 and FY 2012-13. All increases and decreases are expressed relative to FY 2011-12 amounts.

As of January 31, 2012, all Redevelopment Agencies in the State of California were dissolved. The City elected to become a Successor Agency, and all former Redevelopment Agency assets and debts are reported as a Successor Agency Private Purpose Trust Fund and are not reflected in the government-wide financial statements. Because FY 2011-12 included seven months of Redevelopment Agency activity and FY 2012-13 had no Redevelopment Agency activity, there are some significant variances between the FY 2011-12 and FY 2012-13 amounts.

Financial highlights of the City for the fiscal year ending June 30, 2013 are summarized below. Details related to these highlights are found in the remaining sections of this analysis.

**Citywide**

- Net position, the amount by which total assets exceed total liabilities, equals \$58,301,482. Assets totaled \$61.3 million and liabilities totaled \$3.0 million.
- The City's net position decreased by \$2,250,125 to \$58,301,482. The majority of this decrease is comprised of a \$2.4 million loss to write down receivables from the Successor Agency for unallowable accrued interest related to provisions of California AB 1484 (see Notes to the Financial Statements No. 14). This write-down is somewhat offset by an operating gain of \$199,467.
- The citywide operating gain of \$199,467 resulted from revenues of \$19.8 million exceeding expenses of \$19.6 million.

**Fund Level – Governmental Funds**

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,025,811.
- The fund balance of governmental funds increased by \$642,068 over the prior year. This increase is comprised of revenues of \$19.8 million exceeding expenditures of \$18.9 million and a net extraordinary loss of \$0.3 million.
- The net extraordinary loss of \$299,376 is due to writing down receivables from the Successor Agency for unallowable accrued interest related to the provisions of California AB 1484 (see Notes to the Financial Statements No.14).

**Fund Level – Fiduciary Funds**

- The City is the Successor Agency to the former Redevelopment Agency. The Successor Agency's assets, liabilities, and activities are recorded in a Private Purpose Trust Fund and are combined with neither the City-wide statements nor the Governmental Funds statements. Refer to pages 25-26 for details about this fund.

See independent auditors' report.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management’s discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and an optional section that presents *combining* statements for non-major governmental funds. This discussion and analysis serves as an introduction to the City’s basic financial statements.

In the current year, the City implemented Governmental Accounting Standards Board Statement (GASBS) No. 63 and No. 65. Significant impacts of these GASBS include changing the title of the Statement of Net Assets to the Statement of Net Position, reformatting the Statement of Net Position and Balance Sheet to add separate sections for deferred inflows of resources and deferred outflows of resources, and reclassifying certain assets and liabilities as deferred outflows or inflows of resources. For additional information, refer to the Notes to the Financial Statements No. 1(D).

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 Position 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 position and change in net position. Over time, *increases and decreases* in the City’s net position 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.

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 Position 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 Position* follows:

	<b>Governmental Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>Change</b>
Current and other assets	\$ 27,181,101	\$ 27,701,834	\$ (520,733)
Capital assets, net of depreciation	34,133,568	34,546,556	(412,988)
<b>Total Assets</b>	<b>61,314,669</b>	<b>62,248,390</b>	<b>(933,721)</b>
Long-term debt outstanding	1,177,707	844,558	(333,149)
Other liabilities	1,835,480	852,225	(983,255)
<b>Total Liabilities</b>	<b>3,013,187</b>	<b>1,696,783</b>	<b>(1,316,404)</b>
Net position:			
Net investment in capital assets	34,133,568	34,546,556	(412,988)
Restricted	6,101,895	5,067,991	1,033,904
Unrestricted	18,066,019	20,937,060	(2,871,041)
<b>Total Net Position</b>	<b>\$ 58,301,482</b>	<b>\$ 60,551,607</b>	<b>\$ (2,250,125)</b>

The City's assets decreased by \$934,000 (1.5%), and liabilities increased by \$1.3 million (77.6%). This resulted in a net decrease of \$2.2 million (3.7%) to net position.

The largest portion of the City's net position (\$34.1 million or 58.5%) reflects its investment in capital assets (e.g., land, building, infrastructure, equipment, etc.), net of any related debt. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The City's restricted net position totals \$6.1 million (10.5%) of total net position. Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$18.1 million (31.0%) represents unrestricted net position; this category of net position may be used to meet the City's ongoing obligations to citizens and creditors.

Following is a summary of the government-wide *Statement of Activities*. This table illustrates the decrease in the City's net position. The City's net position increased by \$200,000 as a result of the City's revenues of \$19.8 million exceeding expenses of \$19.6 million; however, this increase is offset by a \$2.4 extraordinary loss resulting from the write down of receivables from the Successor Agency (in accordance with provisions of California AB 1484 for unallowable accrued interest).

Discussion regarding significant revenue and expense changes follows the table.

See independent auditors' report.

	<b>Governmental Activities</b>		
	<b>2013</b>	<b>2012*</b>	<b>Change</b>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 1,172,713	\$ 814,401	\$ 358,312
Operating grants and contributions	3,177,014	3,982,145	(805,131)
Capital contributions and grants	-	321,527	(321,527)
General Revenues:			
Property taxes	1,697,928	3,793,578	(2,095,650)
Business license tax	11,850,275	12,738,887	(888,612)
Motor vehicle in lieu, unrestricted	8,162	7,877	285
Sales tax	761,152	723,098	38,054
Other taxes	352,677	340,973	11,704
Other general revenues	785,496	359,490	426,006
Total Revenues	19,805,417	23,081,976	(3,276,559)
<b>Expenses:</b>			
General government	6,815,321	6,191,160	624,161
Public safety	3,571,344	3,398,478	172,866
Public works	2,136,582	1,775,077	361,505
Highways and streets	1,459,348	1,437,639	21,709
Culture and recreation	3,461,731	7,686,306	(4,224,575)
Urban development	629,006	658,504	(29,498)
Health and welfare	1,532,618	1,434,204	98,414
Interest and fiscal charges	-	1,216,576	(1,216,576)
Total Expenses	19,605,950	23,797,944	(4,191,994)
Increase in net assets before before extraordinary gains	199,467	(715,968)	915,435
Extraordinary gain/(loss) on dissolution of RDA	(2,449,592)	37,867,843	(40,317,435)
Increase in net assets	(2,250,125)	37,151,875	(39,402,000)
<b>Net position at beginning of year, restated</b>	60,551,607	23,399,732	37,151,875
<b>Net position at end of year</b>	\$ 58,301,482	\$ 60,551,607	\$ 38,067,310

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

### Governmental Activities

As explained below, City-wide revenues decreased by \$3.3 million (14.2%) to \$19.8 million.

- Property tax revenue declined by \$2.1 million, a direct result of not receiving redevelopment agency tax increment revenue in FY 2012-13.
- Operating and capital grants decreased by \$1.1 million, mainly due to completion of the Fedde Sports Complex.
- Business license tax (the majority of which is from casino fees), decreased by \$900,000; this decrease is due to slower casino business, a result of the general economy.
- Other general revenues increased by \$430,000. In FY 2012-13, the City received reimbursement from the Successor Agency to the Redevelopment Agency of \$163,000 for administrative costs incurred by the City; no such reimbursement was received in the prior year.
- Public works charges for services increased by \$360,000, mainly from plan check fees due to a proposed expansion of the Casino and a proposed new neighborhood Wal-Mart.

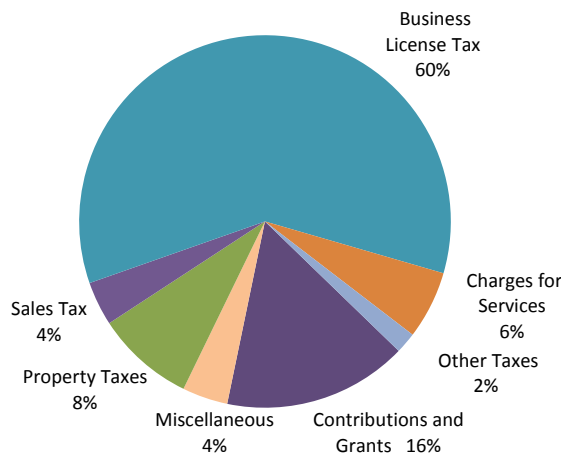
See independent auditors' report.

The total cost of all City programs and services during FY 2012-13 was \$19.6 million, a decrease in costs of \$4.2 million (17.6%). This decline in costs is attributable to the following:

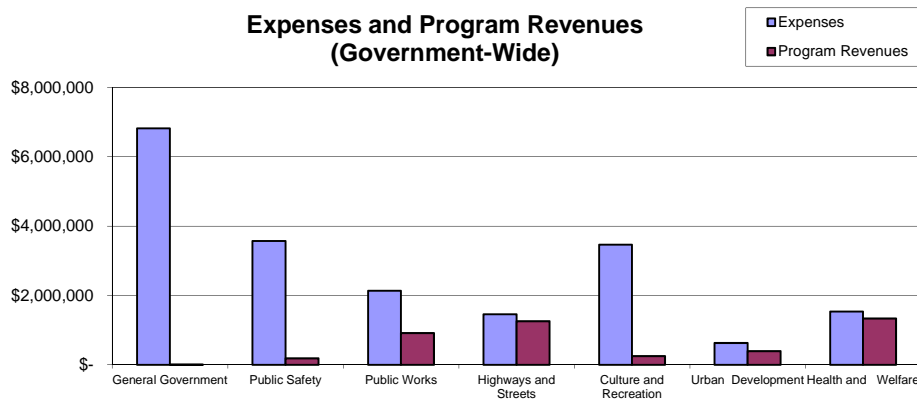
- Interest expense on tax allocation bonds was \$1.2 million in FY 2011-12; the City had no interest expense in FY 2012-13 due to transferring the related debt to the Successor Agency in the prior year.
- Culture and recreation costs decreased by \$4.2 million, essentially due to completing the Fedde Sports Complex. The project costs in FY 2011-12 were \$3.8 million while in FY 2012-13 the project costs were \$300,000. The remainder of the decrease in costs was due to spending less on discretionary special events, a result of cost control efforts.
- General government costs increased by \$624,000 due to costs incurred for the administration of the Successor Agency and due to salaries which were previously charged to the Redevelopment Agency are now being paid from the City’s general government.

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 (60%), followed by Contributions and Grants (16%), and Property Taxes (8%). General government is the largest expense function, accounting for 35% of the total. Public Safety is the second largest expense function (18.2% of the total) followed by Culture and Recreation (17.7% of the total).

### Revenues by Source (Government-Wide)



### Expenses and Program Revenues (Government-Wide)



See independent auditors’ report.

## 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 \$18,817,611. 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 136 percent of the general fund's expenditures for FY 2012-13. In contrast, the FY 2011-12 result showed that the general fund's expenditures were 146 percent of the general fund's fund balance.

The general fund's fund balance decreased by \$397,203 from the prior year's balance of \$19,214,814. This decrease results from an extraordinary loss of \$1.0 million and net transfers out of \$1.8 million offset by a net operating gain of \$2.4 million.

The \$1.0 million extraordinary loss is a result of writing down the receivables from the Successor Agency for unallowable accrued interest related to the provisions of California AB 1484. Net transfers to other funds of \$1.8 million were for funding capital projects and other planned funding requirements for ongoing operations. Total general fund expenditures of \$13.8 million increased by \$664,000 over the prior year while total general fund revenues of \$16.2 million decreased by \$625,000 from the prior year. Significant changes in the City's General Fund revenues and expenditures are as follows:

- Tax revenue increased by \$287,000, mainly the result of a one-time distribution of \$284,000 from residual tax increment.
- Licenses and permits decreased by \$479,000. The casino license tax decreased by \$927,000 as a result of decreased casino business. This is offset by an increase in building and plan check revenues of \$415,000 related to plan checks for a new neighborhood Wal-Mart and for the expansion of the Casino.
- Intergovernmental revenues decreased by \$600,000 as a result of receiving a larger grant for construction of the Fedde Sports Complex in FY 2011-12 than was received in the current year.
- Other revenues increased by \$151,000 due to receiving reimbursement from the Successor Agency for administration fees.
- General government expenditures increased by \$502,000 due to salaries which were previously charged to the Redevelopment Agency are now being paid from the City's general government department and due to increased costs for building plan checks.
- Public safety expenditures increased by \$235,000 due to adding a new Skynight service (a helicopter night patrol) provided by the LA County Sheriff.
- Culture and recreation expenditures decreased by \$93,000 due to spending less on discretionary special events, a result of cost control efforts based on the current state of the local economy.

The **Community Development Block Grant** 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 \$653,067 were received during the year, all of which were spent for community development programs and projects.

See independent auditors' report.

The **Housing Authority Successor Agency** fund has a fund balance of \$3,726,086. This fund had no activity during the year other than to record an extraordinary gain of \$750,536 in accordance with provisions of AB 1484 as explained in Notes to the Financial Statements No. 14B.

The **Capital Projects** fund has a deficit fund balance of \$2,991. Capital project expenditures of \$1.17 million were funded by grant monies of \$16,600 and transfers in from other funds of \$1.15 million. The deficit fund balance is a result of grant revenues for the Safe Route to School project not being received within the availability period of 60 days following fiscal year end.

### GENERAL FUND BUDGET

The total General Fund revenue budget was \$17.6 million with actual receipts of \$16.2 million. The variance between actual revenues and the final revenue budget was \$1.4 million (7.7%). Although every revenue category except for Rental Income had actual revenues less than budgeted, the majority of this negative variance is due to the City receiving less casino revenue than was anticipated.

The General Fund's actual total expenditures of \$13.8 million were less than the final budgeted appropriations of \$14.6 million. The variance between actual total expenditures and the final appropriation was \$800,000 (5.7%). The variance for the general fund budget expenditures is essentially due to effectively implementing cost-control measures throughout the City.

The actual revenue and expenditure activity resulted in a negative variance with the budget of \$523,000. Major variances between the General Fund's final budget and its actual operating results were as follows:

- Licenses and permits – Budget \$13,611,976; Received \$12,613,530 = \$998,446 less than the budget.
- Intergovernmental revenues – Budget \$458,000; Received \$291,139 = \$166,861 less than the budget.
- General government expenditures – Budget \$5,979,828; Expended \$5,356,118 = \$623,710 under the budget.
- Public safety expenditures – Budget \$3,233,128; Expended \$3,376,338 = \$143,210 over the budget.
- Public works expenditures – Budget \$1,625,359; Expended \$1,486,754 = \$138,605 under the budget.
- Culture and recreation expenditures – Budget \$3,361,272; Expended \$3,816,491 = \$174,781 under the budget.

### CAPITAL ASSETS

Capital assets totaled \$34.1 million at fiscal year-end. During FY 2012-13, capital assets totaling \$990,000 were acquired and depreciation expense of \$1.4 million was recorded. Additional information on the City's capital assets can be found in Note 5 of the Notes to the Financial Statements.

	<b>Governmental Activities</b>	
	<b>(net of accumulated depreciation)</b>	
	<b><u>June 30, 2013</u></b>	<b><u>June 30, 2012</u></b>
Buildings and improvements	\$ 11,760,443	\$ 11,560,375
Furniture and equipment	253,737	266,503
Vehicles	477,932	548,415
Infrastructure – road system	7,391,977	7,963,071
Construction in progress	41,287	-
Rights-of-way	3,290,005	3,290,005
Land	10,918,187	10,918,187
Total	<b><u>\$ 34,133,568</u></b>	<b><u>\$ 34,546,556</u></b>

See independent auditors' report.

## LONG-TERM DEBT

As of June 30, 2013, the City had total long-term liabilities outstanding of \$1.2 million, an increase of \$333,000. The majority of this increase is due to recording a liability for a retrospective deposit adjustment for general liability insurance costs.

	<u>Governmental Activities</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Compensated Absences	\$ 454,970	\$ 514,609
Notes Payable	281,430	329,949
CJPIA Retrospective Deposit	441,307	-
Total	<u>\$ 1,177,707</u>	<u>\$ 844,558</u>

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The decline of the national and state economies is expected to continue to have a financial effect on the City in Fiscal Year 2013-14. General Fund revenues are projected to decrease by \$1.7 million over Fiscal Year 2012-13. This resulted in the need to make almost \$1.9 million in expenditure reductions to the FY 2013-14 Adopted Budget. The outlook for Fiscal Year 2014-15 is expected to be slightly improved, and General Fund revenues are projected to increase by more than \$350,000 due to a slightly improved economy and an increase in casino license revenues. Since the base level of expenditures was reduced by almost \$1.9 million in Fiscal Year 2013-14, major reductions are not anticipated in Fiscal Year 2014-15. Staff believes that any cuts necessary to balance the budget can be done in a manner which will minimize the impacts to the services provided to the community. However, capital expenditures will continue to be minimal in FY 2014-15.

Also, the City's programs to rehabilitate commercial and low and moderate income housing properties will continue to 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.

Another important factor is the commitment of an additional \$1.1 million of fund balance in Fiscal Year 2013-14 to be designated for Specific Contingencies; this will increase the total committed to \$15 million, the maximum level provided by the City's Fund Balance Policy. This is in addition to the \$750,000 (also the maximum level provided by the City's Fund Balance Policy) already committed to specific contingencies for Equipment Replacement.

### 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 POSITION

June 30, 2013

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 17,754,718
Receivables:	
Accounts	990,137
Interest	14,769
Loans	916,204
Due from other governments	657,034
Advances to Successor Agency	6,702,730
Net OPEB asset	145,509
Capital assets, not depreciated	14,249,479
Capital assets, depreciated, net	<u>19,884,089</u>
 TOTAL ASSETS	 <u>61,314,669</u>
LIABILITIES:	
Accounts payable	1,637,846
Accrued liabilities	191,634
Unearned revenue	6,000
Long-term liabilities:	
Due within one year	274,110
Due in more than one year	<u>903,597</u>
 TOTAL LIABILITIES	 <u>3,013,187</u>
NET POSITION:	
Net investment in capital assets	34,133,568
Restricted for:	
Public safety	33,466
Highways and streets	569,728
Air quality	181,423
Lighting and landscaping	487,094
Low and moderate income housing	4,830,184
Unrestricted	<u>18,066,019</u>
 TOTAL NET POSITION	 <u><u>\$ 58,301,482</u></u>

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

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CITY OF HAWAIIAN GARDENS

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2013

Functions/programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Change in Net Position
					Governmental Activities
<b>Governmental activities:</b>					
General government	\$ 6,815,321	\$ 410	\$ -	\$ -	\$ (6,814,911)
Public safety	3,571,344	74,820	112,373	-	(3,384,151)
Public works	2,136,582	913,998	1,109	-	(1,221,475)
Highways and streets	1,459,348	-	1,258,830	-	(200,518)
Culture and recreation	3,461,731	183,181	70,095	-	(3,208,455)
Urban development	629,006	-	397,213	-	(231,793)
Health and welfare	1,532,618	304	1,337,394	-	(194,920)
<b>Total governmental activities</b>	<b>\$ 19,605,950</b>	<b>\$ 1,172,713</b>	<b>\$ 3,177,014</b>	<b>\$ -</b>	<b>(15,256,223)</b>
General revenues:					
Taxes:					
Property taxes					1,697,928
Business license taxes					11,850,275
Sales taxes					761,152
Transient occupancy taxes					122,560
Franchise taxes					197,706
Other taxes					32,411
Motor vehicle in lieu, unrestricted					8,162
Investment income					59,930
Other revenues					725,566
<b>Total general revenues</b>					<b>15,455,690</b>
Change in net position before extraordinary item					199,467
Extraordinary item:					
Losses related to dissolution of redevelopment agency					(2,449,592)
Change in net position					(2,250,125)
Net position at beginning of year, as restated					60,551,607
Net position at end of year					<b>\$ 58,301,482</b>

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

CITY OF HAWAIIAN GARDENS

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2013

		General Fund	Special Revenue Fund <u>Community Development Block Grant</u>
ASSETS			
Cash and investments		\$ 16,212,719	\$ -
Receivables:			
Accounts		989,288	200
Interest		14,361	-
Loans		-	890,704
Due from other governments		306,429	294,198
Due from other funds		275,571	-
Advances to Successor Agency		3,002,144	-
TOTAL ASSETS		<u>\$ 20,800,512</u>	<u>\$ 1,185,102</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable		\$ 1,537,041	\$ 41,999
Accrued liabilities		159,254	2,704
Due to other funds		-	249,695
Unearned revenue		6,000	-
TOTAL LIABILITIES		<u>1,702,295</u>	<u>294,398</u>
DEEFFERED INFLOWS OF RESOURCES:			
Unavailable revenues		<u>280,606</u>	<u>890,704</u>
FUND BALANCES (DEFICIT):			
Nonspendable:			
Long-term receivables		-	-
Advances to Successor Agency		2,721,538	-
Restricted for:			
Public safety		-	-
Public works		-	-
Highways and streets		-	-
Health and welfare		-	-
Committed for:			
Specific contingencies		13,900,000	-
Equipment replacement		750,000	-
Unassigned		1,446,073	-
TOTAL FUND BALANCES (DEFICIT)		<u>18,817,611</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCSE AND FUND BALANCES		<u>\$ 20,800,512</u>	<u>\$ 1,185,102</u>

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

Special Revenue Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Housing Authority Successor Agency	Capital Projects		
\$ -	\$ -	\$ 1,541,999	\$ 17,754,718
-	-	649	990,137
-	-	408	14,769
25,500	-	-	916,204
-	2,991	53,416	657,034
-	-	-	275,571
3,700,586	-	-	6,702,730
<u>\$ 3,726,086</u>	<u>\$ 2,991</u>	<u>\$ 1,596,472</u>	<u>\$ 27,311,163</u>
\$ -	\$ 1,320	\$ 57,486	\$ 1,637,846
-	-	29,676	191,634
-	1,671	24,205	275,571
-	-	-	6,000
<u>-</u>	<u>2,991</u>	<u>111,367</u>	<u>2,111,051</u>
<u>-</u>	<u>2,991</u>	<u>-</u>	<u>1,174,301</u>
25,500	-	-	25,500
3,700,586	-	-	6,422,124
-	-	33,466	33,466
-	-	487,094	487,094
-	-	569,728	569,728
-	-	394,817	394,817
-	-	-	13,900,000
-	-	-	750,000
-	(2,991)	-	1,443,082
<u>3,726,086</u>	<u>(2,991)</u>	<u>1,485,105</u>	<u>24,025,811</u>
<u>\$ 3,726,086</u>	<u>\$ 2,991</u>	<u>\$ 1,596,472</u>	<u>\$ 27,311,163</u>

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CITY OF HAWAIIAN GARDENS

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

June 30, 2013

Fund balances - total governmental funds		\$ 24,025,811
Amounts reported for governmental activities in the Statement of Net Position 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	\$ 14,249,479	
Depreciable assets, net of \$23,138,426 accumulated depreciation	<u>19,884,089</u>	
		34,133,568
The net OPEB asset is not an available current financial resource and therefore, is not reported in the governmental funds.		145,509
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.		(1,177,707)
Certain revenues in the governmental funds are unavailable, 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>1,174,301</u>
Net position of governmental activities		<u><u>\$ 58,301,482</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 fiscal year ended June 30, 2013

	General Fund	Special Revenue Fund Community Development Block Grant
REVENUES:		
Taxes	\$ 2,499,603	\$ -
Licenses and permits	12,613,530	-
Intergovernmental	291,139	653,067
Charges for services	259,280	-
Fines and penalties	56,578	-
Rental income	127,429	-
Investment income	45,570	-
Other revenues	326,788	-
TOTAL REVENUES	<u>16,219,917</u>	<u>653,067</u>
EXPENDITURES:		
Current:		
General government	5,356,118	-
Public safety	3,376,338	-
Public works	1,486,754	-
Highways and streets	169,437	-
Culture and recreation	3,186,491	-
Urban development	158,210	462,438
Health and welfare	-	-
Capital outlay	4,180	190,629
Debt service:		
Principal	48,519	-
TOTAL EXPENDITURES	<u>13,786,047</u>	<u>653,067</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,433,870</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	-
Transfers out	(1,781,161)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,781,161)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	652,709	-
EXTRAORDINARY ITEM:		
Gains (losses) related to dissolution of former redevelopment agency	(1,049,912)	-
NET CHANGE IN FUND BALANCE	(397,203)	-
FUND BALANCES, BEGINNING OF YEAR	<u>19,214,814</u>	<u>-</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 18,817,611</u>	<u>\$ -</u>

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

Special Revenue Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Housing Authority	Capital Projects		
Successor Agency			
\$ -	\$ -	\$ 390,136	\$ 2,889,739
-	-	-	12,613,530
-	16,594	2,490,120	3,450,920
-	-	-	259,280
-	-	18,232	74,810
-	-	-	127,429
-	-	2,182	47,752
-	-	693	327,481
-	16,594	2,901,363	19,790,941
-	-	-	5,356,118
-	-	193,202	3,569,540
-	-	255,577	1,742,331
-	-	1,289,911	1,459,348
-	-	-	3,186,491
-	-	-	620,648
-	-	1,502,214	1,502,214
-	1,169,479	-	1,364,288
-	-	-	48,519
-	1,169,479	3,240,904	18,849,497
-	(1,152,885)	(339,541)	941,444
-	1,149,894	792,720	1,942,614
-	-	(161,453)	(1,942,614)
-	1,149,894	631,267	-
-	(2,991)	291,726	941,444
750,536	-	-	(299,376)
750,536	(2,991)	291,726	642,068
2,975,550	-	1,193,379	23,383,743
\$ 3,726,086	\$ (2,991)	\$ 1,485,105	\$ 24,025,811

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 fiscal year ended June 30, 2013

Net change in fund balances - total governmental funds	\$ 642,068
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	\$ 1,364,288
Amounts expensed for repairs and maintenance	<u>(376,158)</u>
Capitalizable expenditures	988,130
Depreciation expense	(1,364,898)
Loss on disposal of assets	<u>(36,220)</u>
	(412,988)
Certain accrued revenues such as taxes, interest and grants do not provide current financial resources and therefore, are not reported in the governmental funds as revenues. This is the amount of the net change in these accrued revenues during the current period.	
	14,476
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.	
	(8,358)
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 position.	
Principal payments	48,519
	48,519
Governmental funds do not report the changes in the net OPEB asset, since it does not provide or require the use of current financial resources.	
	(1,958)
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 compensated absences	59,639
Change in claims payable	(441,307)
Write-down of amount receivable from Successor Agency for unallowable accrued interest related to the provisions of California Assembly Bill 1484	
	<u>(2,150,216)</u>
Change in net position of governmental activities	<u>\$ (2,250,125)</u>

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

CITY OF HAWAIIAN GARDENS

STATEMENT OF NET POSITION  
FIDUCIARY FUND

June 30, 2013

	Successor Agency Private-Purpose Trust Fund
	<u>                    </u>
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 1,751,112
Receivables:	
Loans	35,015
Interest	875
Restricted assets:	
Cash and investments with fiscal / other agents	4,077,070
TOTAL CURRENT ASSETS	<u>5,864,072</u>
NONCURRENT ASSETS:	
Capital assets:	
Nondepreciable	<u>4,185,090</u>
TOTAL ASSETS	<u>10,049,162</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	3,779
Interest payable	164,495
Deposits payable	23,230
Bonds payable, current portion	1,330,000
TOTAL CURRENT LIABILITIES	<u>1,521,504</u>
LONG-TERM LIABILITIES:	
Advances payable to Hawaiian Gardens Housing Authority	3,700,586
Advances payable to City of Hawaiian Gardens	3,002,144
Bonds payable	38,800,000
TOTAL LONG-TERM LIABILITIES	<u>45,502,730</u>
TOTAL LIABILITIES	<u>47,024,234</u>
NET POSITION:	
Held in trust for private purpose	<u><u>\$ (36,975,072)</u></u>

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

CITY OF HAWAIIAN GARDENS

STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUND

For the fiscal year ended June 30, 2013

	Successor Agency Private-Purpose Trust Fund
	<u>Trust Fund</u>
ADDITIONS:	
Taxes	\$ 3,332,093
Investment and rental income	56,698
Other revenues	45
	<u>                    </u>
TOTAL ADDITIONS	<u>3,388,836</u>
DEDUCTIONS:	
Personal services	25,542
Contactual services	76,820
Payments to county	3,637,052
Program expenses	140
Interest and fiscal expenses	2,021,553
City administrative costs	147,525
	<u>                    </u>
TOTAL DEDUCTIONS	<u>5,908,632</u>
CHANGE IN NET POSITION BEFORE EXTRAORDINARY ITEM	(2,519,796)
EXTRAORDINARY ITEM:	
Gain related to dissolution of former redevelopment agency	<u>2,449,592</u>
CHANGE IN NET POSITION	(70,204)
NET POSITION AT BEGINNING OF YEAR	<u>(36,904,868)</u>
NET POSITION AT END OF YEAR	<u><u>\$ (36,975,072)</u></u>

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

CITY OF HAWAIIAN GARDENS  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

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, 2013

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 Public Financing Authority

The City of Hawaiian Gardens Public Financing Authority (Authority) was established by a joint exercise of powers agreement between the City of Hawaiian Gardens (City) and the former Redevelopment Agency of the City of Hawaiian Gardens (former 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 former 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 former 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 Housing Authority.

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

See independent auditors' report.



CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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, 2013

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2013

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 unavailable until they become current receivables. Noncurrent portions of the long-term receivables are offset by unavailable 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 1974, 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, 2013

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 Redevelopment Agency.

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.

**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. New Accounting Pronouncements:

**Implemented:**

In fiscal year 2012-2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*”. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, “*Elements of Financial Statements*” into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

See independent auditors’ report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

**Implemented (Continued):**

In fiscal year 2012-2013, the City early implemented GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”. This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The early implementation of this statement had no effect on the accompanying financial statements.

**Pending Accounting Standards:**

GASB has issued the following statements which may impact the City’s financial reporting requirements in the future:

- GASB 66 - “*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*”, effective for periods beginning after December 15, 2012.
- GASB 67 - “*Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*”, effective for the fiscal years beginning after June 15, 2013.
- GASB 68 - “*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*”, effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - “*Government Combinations and Disposals of Government Operations*”, effective for periods beginning after December 15, 2013.
- GASB 70 - “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”, effective for the periods beginning after June 15, 2013.

E. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows to report.

See independent auditors’ report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenues*, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from three sources: accrued interest on advances receivable, loan repayments and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. 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 statements of net position and balance sheet at fair value, except for a certain investment agreement that is reported at cost, because it is not transferable and has terms that are not affected by changes in market interest rates.

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

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.

G. 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, grant revenues, and other revenues, collected or provided by Federal, State, County and City Governments and unremitted to the City at year end.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. 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

I. 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.

J. 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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Compensated Absences (Continued):

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.

K. 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, 2013, there were no outstanding liabilities recorded relating to claims and judgment in a governmental fund.

L. 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, 2012, 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 <sup>st</sup> Second Installment - February 1 <sup>st</sup>
Delinquent Date:	First Installment - December 10 <sup>th</sup> Second Installment - April 10 <sup>th</sup>

See independent auditors' report.



CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Property Tax Calendar (Continued):

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

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

M. Net Position:

**Classifications:**

On the Statement of Net Position, net position is classified into three components which are defined as follows:

- Net investment in capital assets - This component of net position 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, 2013, there was no debt related to the City's capital assets.
- Restricted net position - This component of net position 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 position - This component of net position consists of net position that does not meet the definition of "net invested in capital assets" or "restricted".

**Flow Assumptions:**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Net Position (Continued):

**Flow Assumptions (Continued):**

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

N. 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 the City Council through the adoption of a resolution prior to the end of the year. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally (i.e.: a resolution). Specific contingencies include equipment replacement, damages caused by an earthquake of 6.5 magnitude or greater, a 25 percent loss of casino revenues, major repairs of buildings due to casualty losses and litigations losses of \$500,000 or more. The total committed for these contingencies is \$14,650,000.
- 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) the City Manager 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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

N. Governmental Fund Balance Classifications (Continued):

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.

O. 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 the capital project fund, because effective budgetary control is alternatively achieved through trust indenture provisions and the City's capital plan. Therefore, this fund does not have a legally adopted budget. 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, 2013, 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, 2013

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, 2013:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Special Revenue Fund:			
Community Development Block Grant	\$ 521,317	\$ 653,067	\$ (131,750)
Other Governmental Special Revenue Funds:			
State Gas Tax	525,701	537,129	(11,428)
Air Quality Management District	-	27,969	(27,969)
Proposition C Local Transit Assistance	337,852	353,404	(15,552)
Housing Authority Section 8	1,402,322	1,474,245	(71,923)
Lighting and Landscaping	235,869	255,577	(19,708)

C. Accumulated Fund Deficits:

The Capital Projects Fund had a fund deficit of \$2,991 at June 30, 2013.

3. CASH AND INVESTMENTS:

**Cash and Investments:**

Cash and investments at June 30, 2013, are classified in the accompanying financial statements as follows:

	<u>Government Wide Statement of Net Position</u>	<u>Fiduciary Fund Statement of Net Position</u>	<u>Total</u>
Cash and investments	\$ 17,754,718	\$ 1,751,112	\$ 19,505,830
Restricted:			
Cash and investments with fiscal / other agents	<u>-</u>	<u>4,077,070</u>	<u>4,077,070</u>
Total cash and investments	<u>\$ 17,754,718</u>	<u>\$ 5,828,182</u>	<u>\$ 23,582,900</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

3. CASH AND INVESTMENTS (CONTINUED):

**Cash and Investments (Continued):**

Cash and investments at June 30, 2013, consist of the following:

Cash on hand	\$ 2,669
Deposits with financial institutions	6,713,285
Investments	16,866,946
Total cash and investments	<u>\$ 23,582,900</u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code (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.

Investment Types <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, 2013

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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, 2013

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	\$ 12,789,876	\$ -	\$ 12,789,876
Held by Bond Trustee:			
Investment agreement	799,500	-	799,500
Money Market Mutual Funds	3,277,570	-	3,277,570
Total	<u>\$ 16,866,946</u>	<u>\$ -</u>	<u>\$ 16,866,946</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, 2013</u>	<u>Minimum Legal Rating</u>	<u>Ratings as of Year End</u>	
			<u>AAAm</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 12,789,876	N/A	\$ -	\$ 12,789,876
Held by Bond Trustee:				
Investment agreement	799,500	N/A	-	799,500
Money Market Mutual Funds	3,277,570	A	3,277,570	-
Total	<u>\$ 16,866,946</u>		<u>\$ 3,277,570</u>	<u>\$ 13,589,376</u>

N/A - Not Applicable

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

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 any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer that represent 5% or more of the total City investments as of June 30, 2013.

**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, 2013, the City had deposits that were covered by the Federal Deposit Insurance Corporation insurance limits or collateralized as required by 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, 2013

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	\$ 249,695
	Capital Projects Capital Projects Fund	1,671
	Other Governmental Funds	<u>24,205</u>
		<u>\$ 275,571</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>
Capital Projects Capital Projects Fund (1)	General Fund	\$ 1,149,894
Other Governmental Funds (2)	General Fund	631,267
	Other Governmental Funds (2)	<u>161,453</u>
		<u>\$ 1,942,614</u>

(1) To provide resources to cover various capital projects expenditures.

(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, 2013

5. CAPITAL ASSETS:

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	Balance at July 1, 2012 (As Restated See Note 13)	Additions	Deletions	Balance at June 30, 2013
Capital assets, not being depreciated:				
Rights-of-way	\$ 3,290,005	\$ -	\$ -	\$ 3,290,005
Land	10,918,187	-	-	10,918,187
Construction-in-progress	<u>-</u>	<u>41,287</u>	<u>-</u>	<u>41,287</u>
Total capital assets, not being depreciated	<u>14,208,192</u>	<u>41,287</u>	<u>-</u>	<u>14,249,479</u>
Capital assets, being depreciated:				
Buildings and improvements	16,484,311	577,734	-	17,062,045
Furniture and equipment	621,068	18,479	(11,990)	627,557
Vehicles	931,512	-	(46,844)	884,668
Infrastructure - road system	<u>24,097,615</u>	<u>350,630</u>	<u>-</u>	<u>24,448,245</u>
Total capital assets, being depreciated	<u>42,134,506</u>	<u>946,843</u>	<u>(58,834)</u>	<u>43,022,515</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,923,936)	(377,666)	-	(5,301,602)
Furniture and equipment	(354,565)	(31,245)	11,990	(373,820)
Vehicles	(383,097)	(34,263)	10,624	(406,736)
Infrastructure - road system	<u>(16,134,544)</u>	<u>(921,724)</u>	<u>-</u>	<u>(17,056,268)</u>
Total accumulated depreciation	<u>(21,796,142)</u>	<u>(1,364,898)</u>	<u>22,614</u>	<u>(23,138,426)</u>
Total capital assets, being depreciated, net	<u>20,338,364</u>	<u>(418,055)</u>	<u>(36,220)</u>	<u>19,884,089</u>
Total governmental activities capital assets, net	<u>\$ 34,546,556</u>	<u>\$ (376,768)</u>	<u>\$ (36,220)</u>	<u>\$ 34,133,568</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

5. CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions in the Statement of Activities for the year ended June 30, 2013:

General government	\$ 1,056,773
Public safety	1,804
Public works	18,093
Culture and recreation	275,240
Health and welfare	<u>12,988</u>
Total depreciation expense	<u>\$ 1,364,898</u>

6. LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Balance at			Due Within		
	July 1, 2012	Additions	Deletions	June 30, 2013	One Year	More Than One Year
Note payable -SCE 1	\$ 236,613	\$ -	\$ (26,049)	\$ 210,564	\$ 26,049	\$ 184,515
Note payable - SCE 2	93,336	-	(22,470)	70,866	20,741	50,125
Compensated absences	514,609	203,512	(263,151)	454,970	198,932	256,038
CJPIA retro deposit payable (Note 9)	-	441,307	-	441,307	28,388	412,919
Total	<u>\$ 844,558</u>	<u>\$ 644,819</u>	<u>\$ (311,670)</u>	<u>\$ 1,177,707</u>	<u>\$ 274,110</u>	<u>\$ 903,597</u>

**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, 2013

6. LONG-TERM LIABILITIES (CONTINUED):

**Notes Payable (Continued):**

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2014	\$ 46,790
2015	46,790
2016	46,790
2017	34,692
2018	26,049
2019 - 2021	<u>80,319</u>
	<u>\$ 281,430</u>

**Compensated Absences:**

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

7. PENSION PLANS:

**Plan Descriptions:**

The City of Hawaiian Gardens contributes to the Miscellaneous 2.7% at 55 Risk Pool and Miscellaneous 2% at 62 Risk Pool of the California Employees Retirement System (CalPERS), cost sharing, multiple-employer public employee defined benefit pension plans. 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. The Miscellaneous 2% at 62 Risk Pool was created by California Employees' Pension Reform Act (PEPRA) as of January 1, 2013, and is open to all new employees who do not qualify for the Miscellaneous 2.7 % at 55 Risk Pool. Benefit provisions and all other requirements are established by State statute and City resolutions. Copies of CalPERS' annual financial report may be obtained from their Executive Office located at, 400 P Street, Sacramento, CA 95814.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

7. PENSION PLAN (CONTINUED):

**Funding Policy:**

The contributions to the Miscellaneous 2.7% at 55 Risk Pool include an employee portion of 8% of current covered payroll. The City has elected to contribute the employee portion. The City is also required to contribute any actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The contributions to the Miscellaneous 2% at 62 Risk Pool include an employee portion of 6.25% of current covered payroll which the City is prohibited from paying on behalf of the employees. The required employer contribution rate of the fiscal year ended June 30, 2013 was 6.25%. The contribution requirements of the plan members and the City are established by state statute.

The City's contributions to the Miscellaneous 2.7% at 55 Risk Pool for the year ended June 30, 2013, which was all prepaid by the City at the beginning of the year, was \$3,953,923. These contributions were equal to the required contributions for each year. There were no contributions to the Miscellaneous 2% at 62 Risk Pool during the fiscal year ended June 30, 2013.

**Three-Year Trend Information:**

Fiscal Year	2.7% at 55 Risk Pool			2% at 62 Risk Pool		
	Contribution Rate	Employer Contribution	Percentage Contributed	Contribution Rate	Employer Contribution	Percentage Contributed
6/30/11	19.16%	\$ 782,659	100%	N/A	N/A	N/A
6/30/12	21.97%	930,398	100%	N/A	N/A	N/A
6/30/13	22.16%	1,008,469	100%	6.25%	\$ -	N/A

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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

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

**Plan Description (Continued):**

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, 2013, the City did not seek reimbursement for all pay-as-you-go expenses.

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

Retirees receiving benefits	21
Active plan members	<u>66</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 \$578,233 for the fiscal year ended June 30, 2013.

**Annual OPEB Cost and Net OPEB Obligation (Asset):**

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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

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

**Annual OPEB Cost and Net OPEB Obligation (Asset) (Continued):**

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)	\$ 578,233
Interest adjustment on net OPEB obligation	(11,222)
Amortization adjustment to ARC	<u>13,180</u>
Annual OPEB cost	580,191
Actual contributions made	<u>(578,233)</u>
Decrease in net OPEB asset	1,958
Net OPEB Obligation (Asset) - beginning of year	<u>(147,467)</u>
 Net OPEB Obligation (Asset) - end of year	 <u>\$ (145,509)</u>

**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)
06/30/11	\$ 590,484	\$ 590,484	100.0 %	\$ -
06/30/12	594,714	742,181	124.8 %	(147,467)
06/30/13	580,191	578,233	99.7 %	(145,509)

**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%.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

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

**Funded Status and Funding Progress (Continued):**

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.

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:	
Discount Rate:	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%

See independent auditors' report.



CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

9. RISK MANAGEMENT:

**Description of Joint Powers Insurance Authority:**

The City of Hawaiian Gardens is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the 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 California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

**Self-insurance Programs of the Insurance Authority:**

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

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

9. RISK MANAGEMENT (CONTINUED):

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

Liability (Continued)

(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. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Insurance Authority. 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. The \$3.0 million annual aggregate deductible is fully retained by the Insurance Authority. (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 \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

Workers' Compensation

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

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

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

9. RISK MANAGEMENT (CONTINUED):

**Purchased Insurance:**

Pollution Legal Liability Insurance

The City of Hawaiian Gardens 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 of Hawaiian Gardens. 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.

Property Insurance

The City of Hawaiian Gardens participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. City of Hawaiian Gardens property is currently insured according to a schedule of covered property submitted by the City of Hawaiian Gardens to the Insurance Authority. City of Hawaiian Gardens property currently has all-risk property insurance protection in the amount of \$17,611,372. 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 of Hawaiian Gardens purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Insurance Authority. City of Hawaiian Gardens property currently has earthquake protection in the amount of \$15,540,495. 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 of Hawaiian Gardens purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Insurance Authority. Premiums are paid annually and are not subject to retrospective adjustments.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

9. RISK MANAGEMENT (CONTINUED):

**Purchased Insurance (Continued):**

Special Event Tenant User Liability Insurance

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

**Adequacy of Protection:**

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2012 or 2013.

**Retrospective Deposit Liabilities**

As of June 30, 2013, based on the Authority's retrospective deposit computation, the city owes the Authority additional deposits of \$86,856 and \$354,451 related to the liability and workers' compensation programs, respectively. The minimum annual requirements to pay off these deposit liabilities are as follows:

<u>Year Ending June 30,</u>	<u>Liability Program</u>	<u>Workers' Compensation Program</u>
2014	\$ 28,388	\$ -
2015	14,188	-
2016	14,471	354,451
2017	14,759	-
2018	15,050	-
	<u>\$ 86,856</u>	<u>\$ 354,451</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

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 year ended June 30, 2013:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 4,185,090	\$ -	\$ -	\$ 4,185,090

**Advances Payable to City of Hawaiian Gardens:**

During the year ended June 30, 2000, the General Fund advanced to the former 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, 2013 is \$159,476, net of allowance.

For the four years ended June 30, 2010, the City made annual advances to the former 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, 2013 is \$2,842,668, net of allowance.

During the current fiscal year, accrued interest on these advances was recalculated and a reserve was established. See Note 14A for further details.

**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, 2013, 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, 2013

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

**Long-Term Liabilities:**

Long-term liabilities activity for the year ended June 30, 2013 was as follows:

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013	Due Within One Year	Due in More Than One Year
1999 Tax Allocation						
Refunding Bonds	\$ 1,555,000	\$ -	\$ (755,000)	\$ 800,000	\$ 800,000	\$ -
2004 Tax Allocation						
Refunding Bonds	33,530,000	-	(185,000)	33,345,000	195,000	33,150,000
2006 Tax Allocation						
Refunding Bonds	<u>6,305,000</u>	<u>-</u>	<u>(320,000)</u>	<u>5,985,000</u>	<u>335,000</u>	<u>5,650,000</u>
Total	<u>\$ 41,390,000</u>	<u>\$ -</u>	<u>\$ (1,260,000)</u>	<u>\$ 40,130,000</u>	<u>\$ 1,330,000</u>	<u>\$ 38,800,000</u>

**1999 Tax Allocation Refunding Bonds:**

In October 1999, the Agency issued \$7,995,000 in Redevelopment Project No. 1 Tax Allocation Refunding Bonds (1999 Refunding Bonds). The 1999 Refunding Bonds were issued to current refund the 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.

The minimum annual requirements to amortize the 1999 Tax Allocation Refunding Bonds as of June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	<u>\$ 800,000</u>	<u>\$ 24,000</u>	<u>\$ 824,000</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

**Long-Term Liabilities (Continued):**

**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 Authority's investments in the Agency's bonds and the Authority's bonds are not reported in the accompanying financial statements as they offset each other when combining the Authority's activity with that of the Agency. The Agency Bonds were issued to refund the outstanding 1993 Tax Allocation Refunding Bonds. The Agency Bonds are being used to finance and refinance redevelopment activities of the Agency with respect to its Redevelopment Project No.1 (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.

The minimum annual requirements to amortize the 2004 Tax Allocation Revenue Bonds as of June 30, 2013 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,195,000	1,452,521	2,647,521
2019 - 2023	6,860,000	6,339,909	13,199,909
2024 - 2028	8,515,000	4,414,489	12,929,489
2029 - 2033	10,795,000	2,025,625	12,820,625
2034	<u>2,495,000</u>	<u>62,375</u>	<u>2,557,375</u>
Totals	<u>\$ 33,345,000</u>	<u>\$ 20,578,791</u>	<u>\$ 53,923,791</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

**Long-Term Liabilities (Continued):**

**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, 2013.

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, 2013, bonds outstanding on the 2006 Tax Allocation Revenue Bonds were \$5,985,000. The bonds are secured by a pledge of 80% of Project Area No. 1 tax increment revenues.

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
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	400,000	217,650	617,250
2019 - 2023	2,335,000	755,125	3,090,125
2024 - 2026	<u>1,810,000</u>	<u>141,250</u>	<u>1,951,250</u>
Totals	<u>\$ 5,985,000</u>	<u>\$ 2,163,044</u>	<u>\$ 8,148,044</u>

See independent auditors' report.



CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

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 which dissolved Redevelopment Agencies.

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 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.

See independent auditors’ report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

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

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.

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, and \$1,147,605 in January 2013 for the ROPS for the period January 1, 2013 to June 30, 2013.

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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

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

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.

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 POSITION:

Net position of the governmental activities as of July 1, 2012 on the government-wide financial statements has been restated as follows:

	<u>Governmental Activities</u>
Ending net position, June 30, 2012, as previously reported	\$ 60,481,545
Inclusion of traffic signals, net of accumulated depreciation of \$273,681 that had not been reported previously in capital assets (Infrastructure-road system)	<u>70,062</u>
Beginning net position, July 1, 2012, as restated	<u>\$ 60,551,607</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

14. EXTRAORDINARY ITEMS:

The City incurred the following losses related to the winding down of the affairs of the former RDA during the current year:

- A. In order to comply with AB 1484 which required interest on advances receivable from the former RDA to be recalculated based on LAIF rates, the City wrote down the advances by \$2,449,592. The principal portion of the write down is reported as an extraordinary item in the amount of \$369,528 and the interest portion of the write down reduced the amount of unavailable revenues reported as deferred inflows of resources in the General Fund by \$2,080,064.
- B. The City has also recorded a 20% reserve against the advances receivable from the former RDA of \$750,536 as a result of management's estimate of collectability based on the regulations in AB1484. The principal portion of the City's reserve is reported as an extraordinary item in the amount of \$680,384 and the interest portion reduced the amount of unavailable revenues reported as deferred inflows of resources in the General Fund by \$70,152.

15. SUBSEQUENT EVENTS:

Events occurring after June 30, 2013 have been evaluated for possible adjustments to the financial statements or disclosure as of February 4, 2013 which is the date these financial statements were available to be issued.

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF HAWAIIAN GARDENS  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND

For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 2,552,918	\$ 2,552,918	\$ 2,499,603	\$ (53,315)
Licenses and permits	13,611,976	13,611,976	12,613,530	(998,446)
Intergovernmental	458,000	458,000	291,139	(166,861)
Charges for services	354,500	354,500	259,280	(95,220)
Fines and penalties	79,000	79,000	56,578	(22,422)
Rental income	55,000	55,000	127,429	72,429
Investment income	50,000	50,000	45,570	(4,430)
Other revenues	416,500	416,500	326,788	(89,712)
<b>TOTAL REVENUES</b>	<b>17,577,894</b>	<b>17,577,894</b>	<b>16,219,917</b>	<b>(1,357,977)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	5,991,828	5,979,828	5,356,118	623,710
Public safety	3,233,128	3,233,128	3,376,338	(143,210)
Public works	1,625,359	1,625,359	1,486,754	138,605
Highways and streets	273,400	273,400	169,437	103,963
Culture and recreation	3,361,677	3,361,272	3,186,491	174,781
Urban development	137,651	137,651	158,210	(20,559)
Capital outlay	10,000	10,000	4,180	5,820
Debt service:				
Principal	-	-	48,519	(48,519)
<b>TOTAL EXPENDITURES</b>	<b>14,633,043</b>	<b>14,620,638</b>	<b>13,786,047</b>	<b>834,591</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,944,851</b>	<b>2,957,256</b>	<b>2,433,870</b>	<b>(523,386)</b>
<b>OTHER FINANCING USES:</b>				
Transfers out	(1,697,000)	(1,697,000)	(1,781,161)	(84,161)
<b>TOTAL OTHER FINANCING USES</b>	<b>(1,697,000)</b>	<b>(1,697,000)</b>	<b>(1,781,161)</b>	<b>(84,161)</b>
<b>NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM</b>	<b>1,247,851</b>	<b>1,260,256</b>	<b>652,709</b>	<b>(607,547)</b>
<b>EXTRAORDINARY ITEM:</b>				
Losses on dissolution of redevelopment agency	-	-	(1,049,912)	(1,049,912)
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,247,851</b>	<b>1,260,256</b>	<b>(397,203)</b>	<b>(1,657,459)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>19,214,814</b>	<b>19,214,814</b>	<b>19,214,814</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 20,462,665</b>	<b>\$ 20,475,070</b>	<b>\$ 18,817,611</b>	<b>\$ (1,657,459)</b>

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 476,986	\$ 476,986	\$ 653,067	\$ 176,081
EXPENDITURES:				
Current:				
Urban development	521,317	521,317	462,438	58,879
Capital outlay	-	-	190,629	(190,629)
TOTAL EXPENDITURES	521,317	521,317	653,067	(131,750)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44,331)	(44,331)	-	44,331
OTHER FINANCING USES:				
Transfers out	(32,000)	(32,000)	-	32,000
TOTAL OTHER FINANCING USES	(32,000)	(32,000)	-	32,000
NET CHANGE IN FUND BALANCE	(76,331)	(76,331)	-	76,331
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ (76,331)	\$ (76,331)	\$ -	\$ 76,331

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

CITY OF HAWAIIAN GARDENS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

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, 2013

**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.

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

CITY OF HAWAIIAN GARDENS  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue Funds			
	State Gas Tax	Local Transportation	Air Quality Management District	Prop C Local Transit Assistance
ASSETS				
Cash and investments	\$ -	\$ -	\$ 186,862	\$ 220,424
Receivables:				
Accounts	-	-	-	-
Interest	-	-	79	-
Due from other governments	33,531	-	4,518	-
	<u>\$ 33,531</u>	<u>\$ -</u>	<u>\$ 191,459</u>	<u>\$ 220,424</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 3,152	\$ -	\$ 10,036	\$ 1,322
Accrued liabilities	6,174	-	-	6,922
Due to other funds	24,205	-	-	-
	<u>33,531</u>	<u>-</u>	<u>10,036</u>	<u>8,244</u>
FUND BALANCES:				
Restricted for:				
Public safety	-	-	-	-
Public works				
Highways and streets	-	-	-	212,180
Health and welfare	-	-	181,423	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>181,423</u>	<u>212,180</u>
	<u>\$ 33,531</u>	<u>\$ -</u>	<u>\$ 191,459</u>	<u>\$ 220,424</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Prop A Local Transit Assistance	Measure R Local Transit Assistance	Community Oriented Police Services	Housing Authority Section 8	Lighting and Landscaping	Traffic Safety	Total Other Governmental Funds
\$ 30,949	\$ 335,608	\$ 40,689	\$ 218,661	\$ 490,252	\$ 18,554	\$ 1,541,999
-	-	-	649	-	-	649
-	167	1	-	161	-	408
-	-	1,635	-	12,631	1,101	53,416
<u>\$ 30,949</u>	<u>\$ 335,775</u>	<u>\$ 42,325</u>	<u>\$ 219,310</u>	<u>\$ 503,044</u>	<u>\$ 19,655</u>	<u>\$ 1,596,472</u>
\$ 1,266	\$ -	\$ 26,849	\$ 28	\$ 14,833	\$ -	\$ 57,486
7,910	-	-	5,888	1,117	1,665	29,676
-	-	-	-	-	-	24,205
<u>9,176</u>	<u>-</u>	<u>26,849</u>	<u>5,916</u>	<u>15,950</u>	<u>1,665</u>	<u>111,367</u>
-	-	15,476	-	-	17,990	33,466
21,773	335,775	-	-	487,094	-	487,094
-	-	-	213,394	-	-	569,728
<u>21,773</u>	<u>335,775</u>	<u>15,476</u>	<u>213,394</u>	<u>487,094</u>	<u>17,990</u>	<u>1,485,105</u>
<u>\$ 30,949</u>	<u>\$ 335,775</u>	<u>\$ 42,325</u>	<u>\$ 219,310</u>	<u>\$ 503,044</u>	<u>\$ 19,655</u>	<u>\$ 1,596,472</u>

CITY OF HAWAIIAN GARDENS

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

For the fiscal year ended June 30, 2013

	Special Revenue Funds			
	State Gas Tax	Local Transportation	Air Quality Management District	Prop C Local Transit Assistance
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	363,497	-	8,756	204,033
Fines and penalties	-	-	-	-
Investment income	-	-	412	-
Other revenues	-	-	-	-
TOTAL REVENUES	<u>363,497</u>	<u>-</u>	<u>9,168</u>	<u>204,033</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Highways and streets	537,129	-	-	353,404
Health and welfare	-	-	27,969	-
TOTAL EXPENDITURES	<u>537,129</u>	<u>-</u>	<u>27,969</u>	<u>353,404</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(173,632)</u>	<u>-</u>	<u>(18,801)</u>	<u>(149,371)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	173,632	-	-	370,000
Transfers out	-	(14,088)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>173,632</u>	<u>(14,088)</u>	<u>-</u>	<u>370,000</u>
NET CHANGE IN FUND BALANCES	-	(14,088)	(18,801)	220,629
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>-</u>	<u>14,088</u>	<u>200,224</u>	<u>(8,449)</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,423</u>	<u>\$ 212,180</u>

See independent auditors' report.



Special Revenue Funds (Continued)

Prop A Local Transit Assistance	Measure R Local Transit Assistance	Community Oriented Police Services	Housing Authority Section 8	Lighting and Landscaping	Traffic Safety	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 390,136	\$ -	\$ 390,136
310,447	152,511	112,373	1,337,394	1,109	-	2,490,120
-	-	-	-	-	18,232	18,232
-	864	5	61	840	-	2,182
693	-	-	-	-	-	693
<u>311,140</u>	<u>153,375</u>	<u>112,378</u>	<u>1,337,455</u>	<u>392,085</u>	<u>18,232</u>	<u>2,901,363</u>
-	-	114,263	-	-	78,939	193,202
-	-	-	-	255,577	-	255,577
399,378	-	-	-	-	-	1,289,911
-	-	-	1,474,245	-	-	1,502,214
<u>399,378</u>	<u>-</u>	<u>114,263</u>	<u>1,474,245</u>	<u>255,577</u>	<u>78,939</u>	<u>3,240,904</u>
<u>(88,238)</u>	<u>153,375</u>	<u>(1,885)</u>	<u>(136,790)</u>	<u>136,508</u>	<u>(60,707)</u>	<u>(339,541)</u>
80,000	14,088	-	75,000	-	80,000	792,720
-	(147,365)	-	-	-	-	(161,453)
<u>80,000</u>	<u>(133,277)</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>80,000</u>	<u>631,267</u>
(8,238)	20,098	(1,885)	(61,790)	136,508	19,293	291,726
<u>30,011</u>	<u>315,677</u>	<u>17,361</u>	<u>275,184</u>	<u>350,586</u>	<u>(1,303)</u>	<u>1,193,379</u>
<u>\$ 21,773</u>	<u>\$ 335,775</u>	<u>\$ 15,476</u>	<u>\$ 213,394</u>	<u>\$ 487,094</u>	<u>\$ 17,990</u>	<u>\$ 1,485,105</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 fiscal year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 416,890	\$ 416,890	\$ 363,497	\$ (53,393)
TOTAL REVENUES	416,890	416,890	363,497	(53,393)
EXPENDITURES:				
Current:				
Highways and streets	525,701	525,701	537,129	(11,428)
TOTAL EXPENDITURES	525,701	525,701	537,129	(11,428)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(108,811)	(108,811)	(173,632)	(64,821)
OTHER FINANCING SOURCES:				
Transfers in	180,000	180,000	173,632	(6,368)
TOTAL OTHER FINANCING SOURCES	180,000	180,000	173,632	(6,368)
NET CHANGE IN FUND BALANCE	71,189	71,189	-	(71,189)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 71,189	\$ 71,189	\$ -	\$ (71,189)

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 fiscal year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 7,000	\$ 7,000	\$ -	\$ (7,000)
TOTAL REVENUES	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>(7,000)</u>
EXPENDITURES				
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>(7,000)</u>
OTHER FINANCING USES:				
Transfers out	<u>-</u>	<u>-</u>	<u>(14,088)</u>	<u>(14,088)</u>
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>(14,088)</u>	<u>(14,088)</u>
NET CHANGE IN FUND BALANCE	7,000	7,000	(14,088)	(21,088)
FUND BALANCE - BEGINNING OF YEAR	<u>14,088</u>	<u>14,088</u>	<u>14,088</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 21,088</u>	<u>\$ 21,088</u>	<u>\$ -</u>	<u>\$ (21,088)</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

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

AIR QUALITY MANAGEMENT SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 19,000	\$ 19,000	\$ 8,756	\$ (10,244)
Investment income	700	700	412	(288)
TOTAL REVENUES	<u>19,700</u>	<u>19,700</u>	<u>9,168</u>	<u>(10,532)</u>
EXPENDITURES:				
Current:				
Health and welfare	-	-	27,969	(27,969)
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>27,969</u>	<u>(27,969)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,700	19,700	(18,801)	(38,501)
FUND BALANCE - BEGINNING OF YEAR	<u>200,224</u>	<u>200,224</u>	<u>200,224</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 219,924</u>	<u>\$ 219,924</u>	<u>\$ 181,423</u>	<u>\$ (38,501)</u>

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 fiscal year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 181,346	\$ 181,346	\$ 204,033	\$ 22,687
TOTAL REVENUES	181,346	181,346	204,033	22,687
EXPENDITURES:				
Current:				
Highways and streets	337,852	337,852	353,404	(15,552)
TOTAL EXPENDITURES	337,852	337,852	353,404	(15,552)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(156,506)	(156,506)	(149,371)	7,135
OTHER FINANCING SOURCES:				
Transfers in	370,000	370,000	370,000	-
TOTAL OTHER FINANCING SOURCES	370,000	370,000	370,000	-
NET CHANGE IN FUND BALANCE	213,494	213,494	220,629	7,135
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(8,449)	(8,449)	(8,449)	-
FUND BALANCE - END OF YEAR	\$ 205,045	\$ 205,045	\$ 212,180	\$ 7,135

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 fiscal year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 283,628	\$ 283,628	\$ 310,447	\$ 26,819
Other revenues	1,000	1,000	693	(307)
TOTAL REVENUES	<u>284,628</u>	<u>284,628</u>	<u>311,140</u>	<u>26,512</u>
EXPENDITURES:				
Current:				
Highways and Streets	<u>399,898</u>	<u>399,898</u>	<u>399,378</u>	<u>520</u>
TOTAL EXPENDITURES	<u>399,898</u>	<u>399,898</u>	<u>399,378</u>	<u>520</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(115,270)</u>	<u>(115,270)</u>	<u>(88,238)</u>	<u>27,032</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>184,000</u>	<u>184,000</u>	<u>80,000</u>	<u>(104,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>184,000</u>	<u>184,000</u>	<u>80,000</u>	<u>(104,000)</u>
NET CHANGE IN FUND BALANCE	68,730	68,730	(8,238)	(76,968)
FUND BALANCE - BEGINNING OF YEAR	<u>30,011</u>	<u>30,011</u>	<u>30,011</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 98,741</u>	<u>\$ 98,741</u>	<u>\$ 21,773</u>	<u>\$ (76,968)</u>

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 fiscal year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 137,000	\$ 137,000	\$ 152,511	\$ 15,511
Investment income	-	-	864	864
TOTAL REVENUES	<u>137,000</u>	<u>137,000</u>	<u>153,375</u>	<u>16,375</u>
EXPENDITURES				
Current:				
Highways and streets	<u>288,587</u>	<u>288,587</u>	<u>-</u>	<u>288,587</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(151,587)</u>	<u>(151,587)</u>	<u>153,375</u>	<u>304,962</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	14,088	14,088
Transfers out	<u>-</u>	<u>-</u>	<u>(147,365)</u>	<u>(147,365)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(133,277)</u>	<u>(133,277)</u>
NET CHANGE IN FUND BALANCE	(151,587)	(151,587)	20,098	171,685
FUND BALANCE - BEGINNING OF YEAR	<u>315,677</u>	<u>315,677</u>	<u>315,677</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 164,090</u>	<u>\$ 164,090</u>	<u>\$ 335,775</u>	<u>\$ 171,685</u>

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 fiscal year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 110,700	\$ 110,700	112,373	\$ 1,673
Investment income	-	-	5	5
TOTAL REVENUES	<u>110,700</u>	<u>110,700</u>	<u>112,378</u>	<u>1,678</u>
EXPENDITURES				
Current:				
Public safety	<u>162,909</u>	<u>162,909</u>	<u>114,263</u>	<u>48,646</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,209)	(52,209)	(1,885)	50,324
FUND BALANCE - BEGINNING OF YEAR	<u>17,361</u>	<u>17,361</u>	<u>17,361</u>	-
FUND BALANCE - END OF YEAR	<u>\$ (34,848)</u>	<u>\$ (34,848)</u>	<u>\$ 15,476</u>	<u>\$ 50,324</u>

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 fiscal year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,179,803	\$ 1,179,803	\$ 1,337,394	\$ 157,591
Investment income	-	-	61	61
TOTAL REVENUES	1,179,803	1,179,803	1,337,455	157,652
EXPENDITURES:				
Current:				
Health and welfare	1,402,322	1,402,322	1,474,245	(71,923)
TOTAL EXPENDITURES	1,402,322	1,402,322	1,474,245	(71,923)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(222,519)	(222,519)	(136,790)	85,729
OTHER FINANCING SOURCES:				
Transfers in	225,000	225,000	75,000	(150,000)
TOTAL OTHER FINANCING SOURCES	225,000	225,000	75,000	(150,000)
NET CHANGE IN FUND BALANCE	2,481	2,481	(61,790)	(64,271)
FUND BALANCE - BEGINNING OF YEAR	275,184	275,184	275,184	-
FUND BALANCE - END OF YEAR	\$ 277,665	\$ 277,665	\$ 213,394	\$ (64,271)

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 fiscal year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 245,627	\$ 245,627	\$ 390,136	\$ 144,509
Intergovernmental	-	-	1,109	1,109
Investment income	-	-	840	840
<b>TOTAL REVENUES</b>	<b>245,627</b>	<b>245,627</b>	<b>392,085</b>	<b>146,458</b>
EXPENDITURES:				
Current:				
Public works	235,869	235,869	255,577	(19,708)
<b>TOTAL EXPENDITURES</b>	<b>235,869</b>	<b>235,869</b>	<b>255,577</b>	<b>(19,708)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,758</b>	<b>9,758</b>	<b>136,508</b>	<b>126,750</b>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,758</b>	<b>9,758</b>	<b>136,508</b>	<b>126,750</b>
FUND BALANCE - BEGINNING OF YEAR	350,586	350,586	350,586	-
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 360,344</b>	<b>\$ 360,344</b>	<b>\$ 487,094</b>	<b>\$ 126,750</b>

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 fiscal year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and penalties	\$ -	\$ -	\$ 18,232	\$ 18,232
TOTAL REVENUES	-	-	18,232	18,232
EXPENDITURES				
Current:				
Public safety	93,788	93,788	78,939	14,849
TOTAL EXPENDITURES	93,788	93,788	78,939	14,849
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(93,788)	(93,788)	(60,707)	33,081
OTHER FINANCING SOURCES:				
Transfers in	80,000	80,000	80,000	-
TOTAL OTHER FINANCING SOURCES	80,000	80,000	80,000	-
NET CHANGE IN FUND BALANCE	(13,788)	(13,788)	19,293	33,081
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(1,303)	(1,303)	(1,303)	-
FUND BALANCE - END OF YEAR	\$ (15,091)	\$ (15,091)	\$ 17,990	\$ 33,081

See independent auditors' report.

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**STATISTICAL SECTION  
(UNAUDITED)**

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CITY OF HAWAIIAN GARDENS

DESCRIPTION OF STATISTICAL SECTION CONTENTS

For the year ended June 30, 2013

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.	90
<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.	98
<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.	105
<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.	108
<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.	110

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 POSITION BY COMPONENT

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Governmental activities				
Net investment in capital assets	\$ (10,738,130)	\$ (8,382,519)	\$ (8,112,953)	\$ (6,487,493)
Restricted	1,980,322	2,492,902	3,241,677	4,395,094
Unrestricted	<u>9,893,035</u>	<u>8,208,447</u>	<u>11,264,102</u>	<u>12,401,215</u>
Total net position	<u>\$ 1,135,227</u>	<u>\$ 2,318,830</u>	<u>\$ 6,392,826</u>	<u>\$ 10,308,816</u>



Fiscal Year					
<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
\$ (3,492,729)	\$ (4,507,696)	\$ (3,524,365)	\$ 36,451,627	\$ 34,476,494	\$ 34,133,568
5,707,857	6,937,550	7,835,302	8,897,227	5,067,991	6,101,895
<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>18,066,019</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>	<u>\$ 58,301,482</u>

CITY OF HAWAIIAN GARDENS

CHANGES IN NET POSITION

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003-04	2004-05	2005-06	2006-07
<b>Expenses</b>				
Governmental activities:				
General government	\$ 4,518,330	\$ 5,762,647	\$ 6,577,405	\$ 6,062,061
Public safety	2,184,435	2,748,910	2,687,259	3,076,208
Public works	1,250,952	1,308,662	1,384,822	1,564,133
Highways and streets	938,543	2,240,664	2,577,800	2,114,683
Culture and recreation	2,042,629	2,489,541	3,136,595	4,007,930
Urban development	876,822	1,382,237	1,037,822	822,744
Health and welfare	1,034,321	976,007	975,746	926,553
Interest on long-term debt	4,969,273	2,359,155	2,339,139	3,411,036
Total governmental activities expenses	<u>17,815,305</u>	<u>19,267,823</u>	<u>20,716,588</u>	<u>21,985,348</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
General government	74,480	100,849	96,878	102,814
Public safety	446,443	461,542	658,938	568,487
Public works	265,319	288,899	269,998	281,424
Culture and recreation	518,272	523,941	577,301	313,776
Health and welfare	699	4,974	109,180	104,680
Operating grants and contributions	2,279,547	2,525,149	2,931,450	3,266,016
Capital grants and contributions	-	-	506,710	83,129
Total governmental activities program revenues	<u>3,584,760</u>	<u>3,905,354</u>	<u>5,150,455</u>	<u>4,720,326</u>
Net (Expense)/Revenue - Governmental Activities	<u>(14,230,545)</u>	<u>(15,362,469)</u>	<u>(15,566,133)</u>	<u>(17,265,022)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes	4,221,075	4,679,678	5,337,310	5,841,469
Business license taxes	7,644,733	9,306,103	10,804,786	11,676,652
Sales taxes	540,526	615,476	634,205	690,784
Franchise taxes	243,083	155,249	162,522	168,341
Other taxes	39,206	47,780	73,352	62,424
Motor vehicle in lieu, unrestricted	761,054	1,021,176	1,517,327	1,325,587
Investment income	402,806	461,737	585,675	1,237,348
Other general revenues	177,809	258,873	524,952	178,407
Total governmental activities	<u>14,030,292</u>	<u>16,546,072</u>	<u>19,640,129</u>	<u>21,181,012</u>
Change in net position before extraordinary gain	(200,253)	1,183,603	4,073,996	3,915,990
Extraordinary gain (loss) on dissolution of RDA	-	-	-	-
Change in Net Position	<u>\$ (200,253)</u>	<u>\$ 1,183,603</u>	<u>\$ 4,073,996</u>	<u>\$ 3,915,990</u>

Source: City of Hawaiian Gardens, Finance Department

Fiscal Year					
2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
\$ 6,376,603	\$ 8,743,259	\$ 10,072,928	\$ 8,775,983	\$ 6,191,160	\$ 6,815,321
3,211,600	3,575,518	3,552,391	3,443,643	3,398,478	3,571,344
1,891,194	1,821,252	1,764,726	1,550,686	1,775,077	2,136,582
3,042,425	2,759,782	1,830,911	1,454,659	1,437,639	1,459,348
3,867,286	3,899,959	3,491,850	3,709,136	7,686,306	3,461,731
996,756	821,009	624,566	3,335,270	658,504	629,006
1,061,060	1,255,981	1,277,996	1,324,531	1,434,204	1,532,618
2,470,165	2,324,079	2,208,365	2,127,469	1,216,576	-
<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>	<u>19,605,950</u>
135,651	350,998	8,416	3,273	21,797	410
986,372	208,209	98,194	1,000	85,249	74,820
299,565	889,034	623,352	469,288	519,232	913,998
94,197	120,450	104,572	114,225	187,863	183,181
105,486	129,483	195,253	2,145	260	304
2,488,580	3,651,069	3,982,760	3,580,784	3,982,145	3,177,014
499,736	529,850	627,892	3,265	321,527	-
<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>4,349,727</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>	<u>(15,256,223)</u>
6,106,660	7,195,328	6,405,122	5,966,338	3,793,578	1,697,928
13,252,065	14,117,458	13,372,929	12,760,534	12,738,887	11,850,275
694,394	705,319	625,572	654,284	723,098	761,152
153,861	181,547	182,528	186,371	197,451	197,706
52,189	31,514	67,964	124,417	143,522	154,971
1,426,058	1,454,009	1,339,490	1,317,884	7,877	8,162
1,153,044	617,954	288,510	134,720	47,942	59,930
189,126	88,010	64,766	409,073	311,548	725,566
<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>	<u>15,455,690</u>
4,719,895	5,069,393	3,163,587	6,224	(715,968)	199,467
-	-	-	-	37,867,843	(2,250,125)
<u>\$ 4,719,895</u>	<u>\$ 5,069,393</u>	<u>\$ 3,163,587</u>	<u>\$ 6,224</u>	<u>\$ 37,151,875</u>	<u>\$ (2,050,658)</u>

CITY OF HAWAIIAN GARDENS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years (Note 1)  
(modified accrual basis of accounting)

	Fiscal Year			
	2003-04	2004-05	2005-06	2006-07
<b>General Fund</b>				
Nonspendable				
Committed				
Unassigned				
Total General Fund				
<b>All Other Governmental Funds</b>				
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				
<b>General Fund</b>				
Reserved	\$ 1,896,311	\$ 1,260,252	\$ 2,766,990	\$ 3,753,111
Unreserved	4,023,686	5,787,267	7,708,295	9,742,260
Total General Fund	<u>5,919,997</u>	<u>7,047,519</u>	<u>10,475,285</u>	<u>13,495,371</u>
<b>All Other Governmental Funds</b>				
Reserved	9,077,676	6,310,926	6,102,532	12,958,711
Unreserved, reported in:				
Special revenue funds	1,738,165	2,372,878	3,193,682	4,344,677
Capital projects funds	2,333,389	-	-	(52,096)
Total All Other Governmental Funds	<u>13,149,230</u>	<u>8,683,804</u>	<u>9,296,214</u>	<u>17,251,292</u>
Total All Governmental Funds	<u>\$ 19,069,227</u>	<u>\$ 15,731,323</u>	<u>\$ 19,771,499</u>	<u>\$ 30,746,663</u>

Note 1: 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					
2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
			\$ -	\$ 3,771,450	\$ 2,721,538
			-	-	14,650,000
			20,095,731	15,443,364	1,446,073
			<u>20,095,731</u>	<u>19,214,814</u>	<u>18,817,611</u>
			4,847	2,980,396	3,726,086
			94,485	17,361	33,466
			2,855,060	348,163	487,094
			252,140	-	-
			332,635	560,000	569,728
			7,881,826	-	-
			230,947	275,184	394,817
			(4,480,770)	(12,175)	(2,991)
			<u>7,171,170</u>	<u>4,168,929</u>	<u>5,208,200</u>
			<u>\$ 27,266,901</u>	<u>\$ 23,383,743</u>	<u>\$ 24,025,811</u>
\$ 3,316,082	\$ 3,960,018	\$ 5,685,769			
10,892,539	12,602,337	15,348,649			
<u>14,208,621</u>	<u>16,562,355</u>	<u>21,034,418</u>			
6,036,262	9,258,799	8,631,506			
5,322,579	1,071,053	699,391			
(81,077)	(279,391)	(2,496,232)			
<u>11,277,764</u>	<u>10,050,461</u>	<u>6,834,665</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 Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2003-04	2004-05	2005-06	2006-07
<b>Revenues</b>				
Taxes	\$ 5,748,930	\$ 6,354,896	\$ 7,084,914	\$ 7,842,778
Licenses and permits	8,225,915	9,824,414	11,490,064	12,280,520
Intergovernmental	2,333,356	2,816,312	3,704,233	3,768,272
Foundation contributions	5,670	5,940	506,710	83,150
Charges for services	49,764	79,748	90,381	87,900
Fines and penalties	117,367	130,773	176,779	168,314
Rental income	996,605	977,859	1,005,169	141,426
Investment income	402,806	473,692	585,785	1,237,348
Other revenue	197,056	247,392	466,147	341,491
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>	<u>25,951,199</u>
<b>Expenditures</b>				
Current:				
General government	3,823,732	4,730,487	4,718,045	4,935,292
Public safety	2,181,900	2,731,411	2,684,724	3,073,673
Public works	1,013,922	1,237,449	1,204,851	1,207,237
Highways and streets	938,543	5,970,605	2,220,587	1,660,678
Culture and recreation	1,983,416	2,381,893	2,726,177	3,126,003
Urban development	876,822	1,382,237	1,673,136	1,050,126
Health and welfare	1,029,550	967,713	969,686	916,166
Capital outlay	1,181,960	1,318,204	1,822,340	3,228,704
Debt Service:				
Principal	570,000	600,000	630,000	705,000
Interest	3,219,163	2,928,931	2,801,435	2,784,104
Payment to bond escrow agent	2,789,912	-	-	759,204
Cost of issuance	1,138,239	-	-	389,237
Bond premiums and discounts	102,644	-	-	-
Total Expenditures	<u>20,849,803</u>	<u>24,248,930</u>	<u>21,450,981</u>	<u>23,835,424</u>
Excess of revenues over/(under) expenditure	<u>(2,772,334)</u>	<u>(3,337,904)</u>	<u>3,799,203</u>	<u>2,115,775</u>
<b>Other Financing Sources/(Uses)</b>				
Transfers in	4,298,522	1,861,413	2,136,556	11,527,855
Transfers out	(4,298,522)	(1,861,413)	(2,136,556)	(11,527,855)
Sale of property	-	-	240,973	98,888
Issuance of long-term debt	34,530,000	-	-	12,505,000
Payment to bond escrow agent	(27,329,462)	-	-	(3,934,042)
Bond premium	-	-	-	189,543
Total other financing sources/(uses)	<u>7,200,538</u>	<u>-</u>	<u>240,973</u>	<u>8,859,389</u>
Net change in fund balances before extraor	4,428,204	(3,337,904)	4,040,176	10,975,164
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>	<u>\$ 10,975,164</u>
Debt service as a percentage of noncapital exp.	31.98%	18.19%	21.46%	15.71%

Source: City of Hawaiian Gardens, Finance Department

Fiscal Year						
2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	
\$ 8,071,962	\$ 10,500,124	\$ 9,464,075	\$ 7,990,645	\$ 4,932,237	\$ 2,889,739	
14,257,240	14,526,268	13,685,819	13,053,035	13,092,096	12,613,530	
3,231,958	2,877,183	3,505,975	3,557,418	3,996,356	3,450,920	
499,250	529,850	504,800	-	-	-	
103,602	843,071	344,766	261,805	309,501	259,280	
159,332	183,713	96,944	110,825	85,477	74,810	
145,003	109,186	131,250	127,593	120,877	127,429	
1,153,044	502,948	156,328	134,720	46,374	47,752	
232,753	143,299	83,801	507,906	177,531	327,481	
-	-	-	-	-	-	
<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>	<u>19,790,941</u>	
5,371,729	7,723,707	9,016,829	7,081,365	5,319,270	5,356,118	
3,198,515	3,572,983	3,549,856	3,441,839	3,396,674	3,569,540	
1,275,918	1,306,535	1,557,724	1,532,211	1,552,330	1,742,331	
1,242,829	1,323,897	1,257,060	1,412,771	1,437,639	1,459,348	
3,419,025	3,525,838	3,173,330	3,426,149	3,635,312	3,186,491	
1,250,831	820,063	624,566	370,302	631,959	620,648	
1,050,616	1,247,533	1,269,548	1,313,431	1,423,104	1,502,214	
10,182,424	4,451,112	1,294,095	3,990,791	4,194,454	1,364,288	
3,320,000	2,340,000	2,245,000	1,140,000	1,216,792	48,519	
2,802,535	2,777,543	2,729,483	2,637,270	1,051,776	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<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>18,849,497</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>	<u>941,444</u>	
6,957,342	3,092,410	3,216,017	1,980,053	5,394,736	1,942,614	
(6,957,342)	(3,092,410)	(3,216,017)	(1,980,053)	(5,394,736)	(1,942,614)	
-	-	-	-	-	-	
-	-	-	-	346,741	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	346,741	-	
<u>(5,260,278)</u>	<u>1,126,431</u>	<u>1,256,267</u>	<u>(602,182)</u>	<u>(752,120)</u>	<u>941,444</u>	
-	-	-	-	(3,131,038)	(299,376)	
<u>\$ (5,260,278)</u>	<u>\$ 1,126,431</u>	<u>\$ 1,256,267</u>	<u>\$ (602,182)</u>	<u>\$ (3,883,158)</u>	<u>\$ 642,068</u>	
23.86%	19.08%	18.92%	14.48%	9.57%	0.26%	

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
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
2013	417,320,632	120,181,763	41,824,758	7,292,193	11,599,695	24,998,050

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>
\$ 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%
3,511,557	20,137,240	30,250	646,896,138	92.612%

CITY OF HAWAIIAN GARDENS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

	Fiscal Year			
	2003-04	2004-05	2005-06	2006-07
Basic Levy (Note 1)	1.00000	1.00000	1.00000	1.00000
Overlapping Rates (Note 2):				
ABC Unified School District	0.02490	0.02657	0.02745	0.02427
Cerritos Community College District	0.00000	0.01908	0.02424	0.02392
County Detentions Facility 1987 Debt	0.00099	0.00092	0.00080	0.00066
LA County Flood Control	0.00046	0.00025	0.00005	0.00005
Long Beach Community College District	0.01171	0.01239	0.01857	0.01153
Long Beach Unified School District	0.04285	0.04667	0.04075	0.03811
Metropolitan Water District	0.00610	0.00580	0.00520	0.00470
Total Direct & Overlapping Tax Rates	<u>1.08701</u>	<u>1.11168</u>	<u>1.11706</u>	<u>1.10324</u>
City's Share of 1% Levy Per Prop 13 (Note 3)	0.05602	0.05602	0.05602	0.05602
Redevelopment Rate (Note 4)	1.00755	1.00697	1.00604	1.00541
Total Direct Rate (Note 5)	0.88208	0.89231	0.91096	0.92027

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>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.02434	0.02388	0.02695	0.02920	0.02858	0.02453
0.01071	0.00994	0.01854	0.02677	0.01782	0.02594
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.01839	0.02181	0.02392	0.02559	0.02615	0.05095
0.03457	0.03220	0.08663	0.08834	0.09223	0.09394
<u>0.00450</u>	<u>0.00430</u>	<u>0.00430</u>	<u>0.00370</u>	<u>0.00370</u>	<u>0.00350</u>
<u>1.09251</u>	<u>1.09213</u>	<u>1.16034</u>	<u>1.17360</u>	<u>1.16848</u>	<u>1.19886</u>
0.05602	0.05602	0.05602	0.05602	0.05602	0.05602
1.00450	1.00430	1.00430	1.00370	1.00370	0.00000
0.92833	0.93020	0.92373	0.92038	0.92074	0.92612

CITY OF HAWAIIAN GARDENS  
PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2012-13		Fiscal Year 2003-04	
	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 \$ 20,628,819	3.19%	1 \$ 17,623,577	4.02%
Irving I Moskowitz Foundation	2 17,916,459	2.77%		
HPE Hawaiian Gardens Retail LLC	3 16,353,160	2.53%		
ESS PRISA III Owner LLC	4 13,792,365	2.13%		
Xavier A. Wong Trust Et Al	5 10,011,249	1.55%		
Hawaiian Gardens Square	6 9,817,262	1.52%	9 5,812,000	1.33%
DV Properties	7 9,480,801	1.47%	4 7,225,331	1.65%
Whelan Investments NC	8 8,978,937	1.39%	7 5,831,958	1.33%
Franklin Family LLC	9 8,702,112	1.35%		
Colton Hawaiian Gardens LLC	10 8,503,240	1.31%		
JJJ Enterprises Limited			2 8,972,066	2.05%
Norwalk Carson Associates LLC			3 7,483,950	1.71%
Hawaiian Gardens Apartments			5 6,056,541	1.38%
Susa Partnership LLP			6 5,988,484	1.37%
Almost Cypress Limited			8 5,825,250	1.33%
AU Zone Investments No 2 LP			10 4,498,134	1.03%
	<u>\$ 124,184,404</u>	<u>19.21%</u>	<u>\$ 75,317,291</u>	<u>17.20%</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
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%
2013	150,943	137,577	91.15%

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 Ten 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%
2013	11,311,928	10,396,088	91.90%	915,840	11,311,928	100.00%

Notes:

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

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			
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%	-
2013	- (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, 2013

Overlapping Debt (Note 1):	Debt Outstanding	Percent Applicable To City	Estimated City's Share of Overlapping Debt 6/30/2013
Metropolitan Water District	\$ 79,696,126	0.006%	\$ 4,570
Cerritos CC DS 2005 Refunding Bonds	21,268,286	1.780%	378,555
Cerritos CC DS 2004 Series 2004A, 2006, 2009C & 2012D	166,960,515	1.780%	2,971,738
Long Beach CCD Various	420,162,904	0.100%	2,426
ABC Unified School District 1997 Series B	29,626,700	5.340%	1,582,014
ABC Unified School District 2010 Refunding Bonds	21,615,000	5.340%	1,154,203
Long Beach Unified School District DS Various	561,282,292	0.100%	3,240
Total Overlapping Debt			6,096,746
City of Hawaiian Gardens Direct Debt at 6/30/13	(3)	100.000%	(3)
Total Net Direct and Overlapping Governmental Debt			\$ 6,096,743
2012-13 Assessed Valuation	\$ 646,896,138		
Ratios to 2012/13 Assessed Valuation:			
Direct Debt		0.00%	
Overlapping Debt		0.94%	
Total Debt (Direct & Overlapping)		0.94%	

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.



CITY OF HAWAIIAN GARDENS

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

Legal Debt Margin Calculation for the Current Year:

Assessed value	\$ 646,896,138
Debt limit (15% of assessed value)	97,034,421
Debt applicable to limit (see Note)	-
Legal debt margin - Current Year	<u><u>\$ 97,034,421</u></u>

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
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%
2012-13	97,034,421	-	97,034,421	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
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%
2012	14,375	201,264	14,001	10.5%

Source: The HdL Companies

CITY OF HAWAIIAN GARDENS

PRINCIPAL EMPLOYERS

Current Year and Four Years Ago

Employer	Fiscal Year 2012-13		Fiscal Year 2008-09	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Hawaiian Gardens Card Club	1,666	49.14%	1,000	36.2300%
Tri-City Medical Center	374	11.03%	350	12.6800%
ABC Unified School District	211	6.22%	40	1.4500%
Zion Market	90	2.65%		0.0000%
City of Hawaiian Gardens	80	2.36%	81	2.9300%
Total Building Care, Inc.	68	2.01%	70	2.5400%
Kroger Co. / Food 4 Less #775	59	1.74%		0.0000%
Howard Contracting Inc.	50	1.47%	50	1.8100%
Richmond Plastering Inc.	50	1.47%	50	1.8100%
CVS / Pharmacy #9589	24	0.71%		0.0000%
Cypress Garden Villas			70	2.5400%
Patchman Plastering Inc.			45	1.6300%
Outdoor Living Products, Inc.			40	1.4500%

CITY OF HAWAIIAN GARDENS

FULL-TIME AND PART-TIME CITY EMPLOYEES

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	19	19	19	18	15	16	16	11	11	11
Public Safety	6	6	6	6	6	6	6	7	3	3
Public Works	11	11	11	6	8	8	8	8	8	8
Culture and Recreation	30	30	30	36	35	36	36	40	42	42
Highways and Streets	6	6	6	6	6	6	6	6	6	6
Urban Development	9	9	9	7	9	9	9	8	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>	<u>78</u>

Note 1: Based upon the number of full-time equivalent (FTE) positions and includes 2 FTE contracted positions in Urban Development.

CITY OF HAWAIIAN GARDENS  
OPERATING INDICATORS BY FUNCTION

Last Eight Fiscal Years

Function	Fiscal Year Ended June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
<b>Police:</b>								
Physical arrests	527	486	686	584	706	542	596	491
Parking violations	2,028	258	2,885	2,647	1,918	1,783	2,151	1,820
Traffic violations	1,087	1,750	1,837	1,791	2,304	1,824	1,672	1,195
<b>Highways and Streets:</b>								
Street resurfacing (miles)	1	2	1	1	1	-	1	1
Potholes repaired	78	89	72	86	72	62	2	-
<b>Human Services:</b>								
<b>Senior Center Programs:</b>								
Classes and activities	190	191	195	193	190	200	132	144
Number of Participants	32,396	34,206	38,200	38,107	36,000	36,500	53,640	53,984
Excursions	27	32	35	34	38	30	24	32
Number of Participants	969	1,214	1,400	1,375	1,500	1,000	960	1,270
Special events	21	21	21	20	19	19	19	22
Number of Participants	1,917	2,234	2,910	3,022	3,200	4,000	12,757	2,707
<b>Transportation:</b>								
Number of passengers	28,148	31,027	31,356	31,004	16,390	20,000	21,886	21,886
Mileage	75,570	76,083	77,770	76,289	63,320	68,000	62,504	62,504
<b>Recreation:</b>								
Classes and activities	180	178	182	186	201	211	263	279
Number of participants	78,016	77,094	79,565	80,434	85,000	87,000	180,539	198,330
Special events	21	21	22	22	24	28	26	28
Number of participants	11,005	11,430	15,010	14,699	27,000	29,000	19,870	20,280
Number of facility rentals	26	18	23	21	19	22	20	21

**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 Nine Fiscal Years

Function	Fiscal Year Ended June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government									
Vehicles	3	3	3	3	3	3	3	3	3
Public Safety:									
Vehicles	3	3	3	3	3	3	3	1	1
Public Works:									
Vehicles	20	21	20	23	23	23	23	20	20
Highways and Streets:									
Streets (miles)	23	23	23	23	23	23	23	23	23
Traffic signals	17	17	17	17	17	17	17	17	17
Culture and Recreation:									
Vehicles	2	1	1	1	1	1	1	1	0
Parks acreage	13	13	13	13	13	13	13	13	13
Parks acreage	3	3	3	3	3	3	3	3	3
Swimming pools	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1
Health and Welfare:									
Vehicles	4	6	6	5	5	5	7	7	6

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