

CITY OF HAWAIIAN GARDENS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

Prepared By:
Finance Department

Ernesto Marquez
Interim Finance Director

CITY OF HAWAIIAN GARDENS

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INTRODUCTORY SECTION

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“Our Youth - Our Future”

CITY OF HAWAIIAN GARDENS

December 30, 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 ending June 30, 2014. 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 aspects.

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 ending June 30, 2014, 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 ending June 30, 2014, 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.

General 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 14,446.

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 Manger 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

government fund for which an appropriated annual budget has been adopted. Formal budget 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 City along with many cities in the state is facing declining revenues, due to the RDA dissolution by the State and severe cutbacks in CDBG programs. The revenues from the City’s major revenue source, the license fee of the Hawaiian Gardens Casino, declined again during the fiscal year. The casino license fee decreased by \$480,680 (about -4.258%) compared to the previous year. The following is a summary which shows each month’s license fee revenue compared to the prior year.

**Hawaiian Gardens Casino
License Fee Revenues**

	FY 12-13	FY 13-14	Change
July	990,042	944,515.73	-4.60%
August	968,352	949,570.96	-1.94%
September	931,668	875,327.49	-6.05%
October	947,045	880,696.66	-7.01%
November	958,469	887,433.09	-7.41%
December	982,572	924,132.85	-5.95%
January	921,621	905,263.66	-1.77%
February	848,312	861,552.69	1.56%
March	970,674	968,808.17	-0.19%
April	901,190	878,612.27	-2.51%
May	976,144	915,598.85	-6.20%
June	915,840	839,735.40	-8.31%
Total	\$ 11,311,928	\$ 10,831,248	-4.25%

During Fiscal Year 2013-2014, in anticipation of the decline in the casino license fee revenue, the City approved only those capital projects which were fully funded and all programs of the Human Services Department were reduced the previous year.

Long-term financial planning: In Fiscal Year 2013 City adopted a Fiscal Policy 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 reserve in “General Fund Committed Fund Balance” (reserve) and a \$750,000 reserve 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 provided for both and was fully funded as June 30, 2014.

During Fiscal Year 2011-2012, the State dissolved the Redevelopment Agencies across California, including Hawaiian Gardens, and established Successor Agencies to carry on the legal obligations of the former Redevelopment Agencies. 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 increments 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.

Fiscal Year 2013-14 Revenues experienced minimal growth and are not expected to significantly increase until Fiscal Year 2015-2016, thus the City will continue to operate with a reduced level of funding compared to what has been available in prior years. In anticipation of this, over the past several fiscal years the City has been reducing certain expenses in order to maintain an equivalent level of service to the Public. To maintain services, capital projects are being limited to those which are paid for by state or federal grants, aside from those funded during the mid-year budget review where the City has gained an unexpected windfall of \$1.4 million unassigned fund balance after the FY 2012-13 year-end closing, following which the City Council took action to restore several projects, such as reestablishing the Mayoral scholarship program, increased the funding of the advertising/promotion program, and funded the City's 50th Anniversary Parade/Carnival celebration.

Despite the challenging economic climate, our long term economic outlook should be sustained through careful planning with local businesses and residents in the City. With the Hawaiian Gardens Card Club expansion and Carson Street improvement completion in next September, which are expected to bring additional revenues from the casino license fee and local retail sale tax.

The City will continue to work hard to preserve its resources and provide the highest level of service to its residents.

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, 2013. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

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

Respectfully submitted,



Ernesto Marquez, City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hawaiian Gardens
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF HAWAIIAN GARDENS
List of Elected and Appointed Officials
Fiscal Year Ended June 30, 2014

Elected Officials

Mayor
Mayor Pro Tem
Councilmember
Councilmember
Councilmember

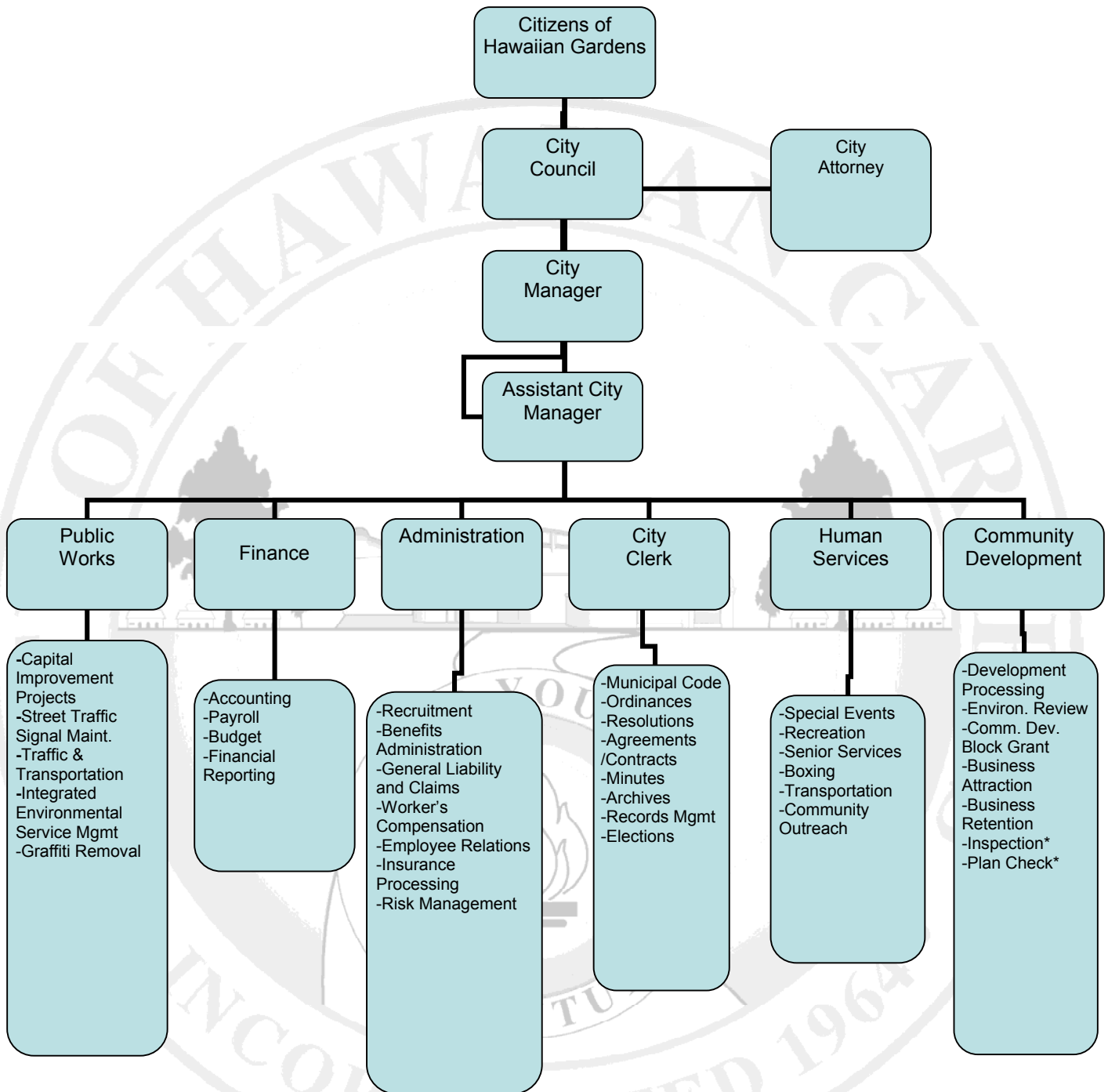
Reynaldo Rodriguez
Barry Bruce
Victor A Farfan
Michael S. Gomez
Mariana Rios

Appointed Officials

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

Ernesto Marquez
Omar Sandoval
Sue Underwood
Joseph Colombo
Vacant
Raylette Felton
Steve J. Gomez
Joe Vasquez

City of Hawaiian Gardens
 Organization Chart
 June 30, 2014



*Contract Services
 **County Service

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, 2014, 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, 2014, 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.

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, identified as required supplementary information in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

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 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.

Other Matters (Continued)

Other Information (Continued)

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 December 30, 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
December 30, 2014

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CITY OF HAWAIIAN GARDENS
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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, 2014. 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 2012-13 and FY 2013-14. All increases and decreases are expressed relative to FY 2012-13 amounts.

Financial highlights of the City for the fiscal year ending June 30, 2014 are summarized below. Details related to these highlights are found in the remaining sections of this analysis; note that due to the City of Hawaiian Gardens election to become a Successor Agency of the former Redevelopment Agency of Hawaiian Gardens, all assets and debts belonging to the Successor Agency and former Redevelopment Agency are reported as part of the Successor Agency Private Purpose Trust Fund and these amounts are not reflected in government-wide financial statements.

Citywide

- Net position, which is the amount by which total assets exceed total liabilities, is \$58,485,342. Assets totaled \$61.9 million and liabilities totaled \$3.5 million.
- The City's net position increased by \$183,860 to \$58,485,342. The majority of this increase is comprised of the total asset increase of \$668,023 and net reduction with the increase of total liability of capital projects improvement obligations of \$484,163 from the previous fiscal year to ABC School District.
- As described in the Notes to the Financial Statements No. 10, the City's net position was adjusted from \$58,301,482 to \$57,410,778 (a reduction of \$890,704) at the beginning of FY 2013-14 to correct revenues that were recognized in error in the previous year.
- Citywide operations gained a total of \$1,074,564 resulting from the difference of revenues of \$19.2 million exceeding expenses of \$18.1 million.
- **Fund Level – Governmental Funds**
- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance totaling \$26,235,163.
- The fund balance of the governmental fund increased by \$2,209,352 over the prior year, this increase is comprised of revenue \$19.1 million exceeding expenditures of \$16.9 million.

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 not combined with the City-wide statements or the Governmental Funds statements. Refer to pages 27-28 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 **combined** 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. 66 and No. 67. There was no significant impact to the financial statements for the implementation of these GASBS. 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 report 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’s Finances 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 monies. The City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end. These funds are reported using an accounting method called **modified accrual** accounting, which measures cash and all other **current financial** assets that can readily be converted to cash.

The governmental fund statements provide a detailed **short-term view** of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s

See independent auditors’ report.

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:

	Governmental Activities		
	2014	2013	Change
Current and other assets	\$ 28,560,340	\$ 27,181,101	\$ 1,379,239
Capital assets, net of depreciation	33,422,352	34,133,568	(711,216)
Total Assets	61,982,692	61,314,669	668,023
Long-term debt outstanding	1,507,395	1,177,707	(329,688)
Other liabilities	1,989,955	1,835,480	(154,475)
Total Liabilities	3,497,350	3,013,187	(484,163)
Net position:			
Net investment in capital assets	33,422,352	34,133,568	(711,216)
Restricted	5,143,343	6,101,895	(958,552)
Unrestricted	19,919,647	18,066,019	1,853,628
Total Net Position	\$ 58,485,342	\$ 58,301,482	\$ 183,860

The City's assets increased by \$668,023 (1.1%), and liabilities increased by \$484,163 (16.1%). This resulted in a net increase of \$183,860 (0.3%) to net position.

The largest portion of the City's net position (\$33.4 million or 57.1%) reflects its investment in capital assets (e.g., land, building, infrastructure, equipment, etc.), and the net of any related debt. The City uses capital assets to provide services to citizens; consequently, these assets are not readily convertible and are thus not considered available for future spending.

The City's restricted net position totals \$5.1 million (8.8%) 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 \$19.91 million (34.1%) represents unrestricted net position; this category of net position may be used to meet the City's ongoing obligations to its citizens and creditors.

The following is a summary of the government-wide *Statement of Activities*. This table illustrates the activities of the City that determines the City's net position. The City's net position increased by \$1,074,564 as a result of the City's revenues of \$19.2 million exceeding expenses of \$18.1 million.

Discussion regarding significant revenue and expense changes follows the table.

As described in the Notes to the Financial Statements No. 10, the City's net position was adjusted from \$58,301,482 to \$57,410,778 (a reduction of \$890,704) at the beginning of FY 2013-14 to correct revenues that were recognized in error in the previous year.

See independent auditors' report.

	Governmental Activities		
	2014	2013	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 1,174,025	\$ 1,172,713	\$ 1,312
Operating grants and contributions	3,572,376	3,177,014	395,362
Capital contributions and grants	-	-	-
General Revenues:			
Property taxes	1,504,630	1,697,928	(193,298)
Business license tax	11,370,160	11,850,275	(480,115)
Motor vehicle in lieu, unrestricted	6,755	8,162	(1,407)
Sales tax	772,165	761,152	11,013
Other taxes	372,993	352,677	20,316
Other general revenues	414,644	785,496	(370,852)
Total Revenues	19,187,748	19,805,417	(617,669)
Expenses:			
General government	6,052,505	6,815,321	(762,816)
Public safety	3,332,962	3,571,344	(238,382)
Public works	2,411,659	2,136,582	275,077
Highways and streets	1,349,640	1,459,348	(109,708)
Culture and recreation	3,204,330	3,461,731	(257,401)
Urban development	317,298	629,006	(311,708)
Health and welfare	1,444,790	1,532,618	(87,828)
Interest and fiscal charges	-	-	-
Total Expenses	18,113,184	19,605,950	(1,492,766)
Increase in net assets before before extraordinary gains	1,074,564	199,467	875,097
Extraordinary gain/(loss) on dissolution of RDA	-	(2,449,592)	2,449,592
Increase in net assets	1,074,564	(2,250,125)	3,324,689
Net position at beginning of year, restated	57,410,778	60,551,607	(3,140,829)
Net position at end of year	\$ 58,485,342	\$ 58,301,482	\$ (2,265,732)

Governmental Activities

As explained below, City-wide revenues decreased by \$617,619 (3.1%) to \$19.1 million.

- Property tax revenue declined by \$104,000 due to the decline of home values and the reassessment of property valuation.
- Operating grants increased compared to the prior fiscal year due to the Safe Route grant, which was to add \$448,000 the prior year and \$200,000 this year but was instead reversed, contributing \$200,000 the prior year and \$448,000 the current year; however, that grant is a one-time funding source and overall grant funding activity saw a decrease compared to the previous year.
- Business license tax revenue (the majority of which is from casino fees), decreased by \$480,000; this decrease resulted primarily from a decline in the general economy as well as the impact on business revenues from the Casino expansion project.
- There was also a decrease in Building Permit fees of \$175,000.
- Planning and Development fees increased by \$200,000; mainly from the Casino expansion project.

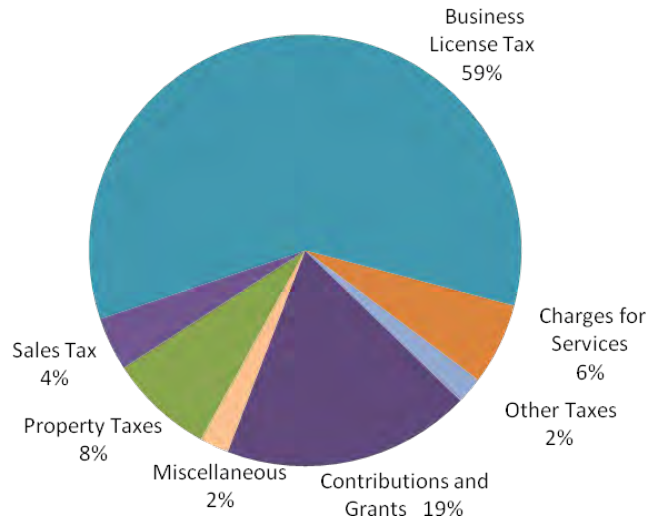
See independent auditors' report.

The total cost of all City Programs and Services during FY 2013-14 was \$18.1 million, a decrease in cost of \$1.5 million (7.6%). This decline in costs is attributable to the following:

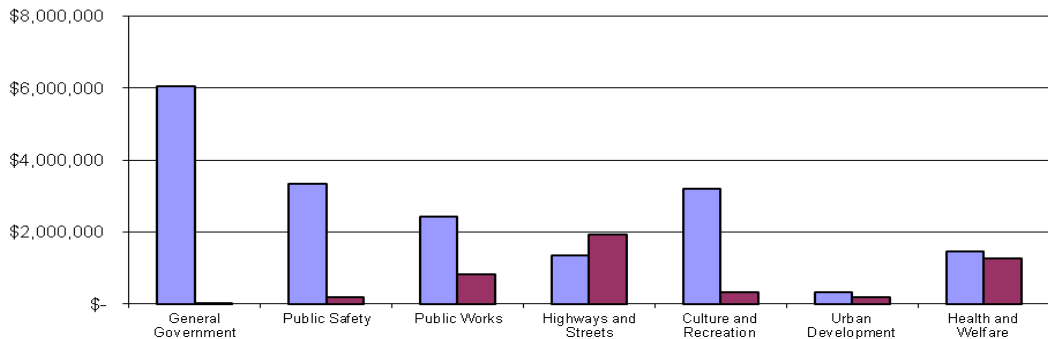
- General government costs were reduced by \$763,000 due to delaying by one year employees' sick leave and vacation payoffs and reducing various contract services.
- Reduced \$225,000 contract service fees in the Public Safety Department.
- Reduction of \$269,000 from various Culture and Recreation programs.
- Reduced the Urban Development program such as housing rehabilitation and commercial rehabilitation program by \$312,000.

The following charts illustrate the City's overall revenues and expenses 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 (59%), followed by Contributions and Grants (19%), and Property Taxes (8%). General government is the largest expense function, accounting for 33.4% of the total. Public Safety is the second largest expense function (18.4 % 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 \$21,174,660. As a measure of the general fund's liquidity, it is useful to compare the total fund balance to total fund expenditures; the comparison of which shows that general fund's fund balance is 171 percent of the general fund's expenditures for FY 2013-14. In contrast, in FY 2012-13 the general fund's fund balance was 136 percent of the general fund's expenditures.

The general fund's fund balance increase by \$2,357,049 from the prior year's balance of \$18,817,611. This increase resulted from various budget cuts and cost saving in general government, public safety, culture and recreation, and urban development programs. Total general fund expenditures of \$12.3 million decreased by \$1,427,000 compared to the prior year while total general fund revenues of \$15.3 million decreased by \$884,000 from the prior year. Significant changes in the City's General Fund revenues and expenditures are as follows:

- Tax revenue decreased by \$100,000, mainly the result of decline home values in the area and result in property tax loss in residual tax increment.
- Licenses and permits decreased by \$644,000. The casino license tax decreased by \$480,000 as a result of decreased casino business. As well, building permit fees decreased by \$175,000. This is offset by an increase in plan check revenues and development impact fee of \$145,000 related to the expansion of the Casino.
- Intergovernmental revenues decreased by \$200,000 as a result of receiving State Park grant in the prior year for the completion of City Sport Complex in FY 2012-13 that was not received in the current year.
- Interest income decrease by \$20,000 due to the lower interest earnings from LAIF Investment Fund.
- Other revenues reduced by \$100,000 due to the transfer of the Successor Agency administrative income to the Successor Agency trust fund instead of general fund revenues.
- General government expenditures decreased by \$910,000 due to various contract service reductions, and the delay of compensated sick leave and vacation cash payoffs.
- Public safety expenditures decreased by \$225,000 due to contract reduction.
- Culture and recreation expenditures decreased by \$267,000 due to various program reductions in 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 \$180,261 were received during the year, all of which were spent for community development programs and projects.

The **Housing Authority Successor Agency** fund has a fund balance of \$3,726,086. This fund had no activity during the year.

See independent auditors' report.

The **Capital Projects** fund has a deficit fund balance of \$33,722. Capital project expenditures of \$1.24 million were funded by grant monies of \$663,000 and transfers in from other funds of \$544,000. The deficit fund balance is a result of grant revenues for the Bus Shelter Grant 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 \$14.5 million with actual receipts of \$15.3 million. The variance between actual revenues and the final revenue budget was \$852,000 (5.9%). The total tax received includes: \$153,000 in Secured Property Taxes in excess of the projected amount, Casino License Fee and Building Permit fees which exceeded the projected amount by \$306,000, and Planning and Development fees which exceeded the projected final budget by \$236,000. These revenues, while generally in excess of what was projected for the current fiscal year, are still substantially reduced compared to FY 2012-13.

The General Fund's actual total expenditures of \$12.3 million were less than the final budgeted appropriations of \$13.1 million. The variance between actual total expenditures and the final appropriation was \$746,000 (5.7%). The variance for the general fund budget expenditures is essentially due to effectively implementing cost-control measures throughout the City and budgetary controls in spending.

The actual revenue and expenditure activity resulted in a positive gain from the adopted budget of \$1,598,000. Major variances between the General Fund's final budget and its actual operating results were as follows:

- Licenses and permits - Budget \$11,662,856; Received \$11,969,338 = \$306,482 over the budget.
- Taxes - Budget \$2,245,893; Received \$42,399,062 = \$153,169 over the budget
- Intergovernmental revenues - Budget \$111,312; Received \$94,642 = \$16,670 less than the budget.
- Charges for Services - Budget \$185,200; Received \$421,103 = \$235,903 over the budget.
- Other revenues - Budget \$31,700; Received \$251,792 = \$220,092 over the budget.
- General government expenditures - Budget \$4,700,820; Expended \$4,445,976 = \$254,844 under the budget.
- Public safety expenditures - Budget \$3,344,224; Expended \$3,151,077 = \$193,147 under the budget.
- Public works expenditures – Budget \$1,548,432; Expended \$1,439,254 = \$109,178 under the budget.
- Culture and recreation expenditures – Budget \$3,096,024; Expended \$2,918,907 = \$177,117 under the budget.

See independent auditors' report.

CAPITAL ASSETS

Capital assets totaled \$33.4 million at fiscal year-end. During FY 2013-14, capital assets totaling \$659,000 were acquired and depreciation expenses of \$1.4 million were recorded. Additional information on the City’s capital assets can be found in Note 5 of the Notes to the Financial Statements.

	Governmental Activities	
	(net of accumulated depreciation)	
	June 30, 2014	June 30, 2013
Buildings and improvements	\$ 11,604,775	\$ 11,760,443
Furniture and equipment	232,438	253,737
Vehicles	508,078	477,932
Infrastructure – road system	6,868,869	7,391,977
Construction in progress		41,287
Rights-of-way	3,290,005	3,290,005
Land	10,918,187	10,918,187
Total	\$ 33,422,352	\$ 34,133,568

LONG-TERM DEBT

As of June 30, 2014, the City had total long-term liabilities outstanding totaling \$1,288,000, an increase of \$110,000 compared to previous. The majority of this increase is due to the increase in compensated absences liability.

	Governmental Activities	
	June 30,	June 30,
	2014	2013
Compensated Absences	\$ 653,213	\$ 454,970
Notes Payable	238,539	281,430
CJPIA Retrospective Deposit	396,660	441,307
Total	\$ 1,288,412	\$ 1,177,707

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

See independent auditors’ report.

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 2014-15. General Fund revenues are projected to increase by \$2.5 million compared to Fiscal Year 2013-14. This single increase is coming from the Hawaiian Gardens Casino Development Fee which will be funding the Carson Street Improvement Project; as a part of Casino expansion plan agreement with the City that Casino is required to improve the traffic flow and surrounding areas near the Casino. The Casino License fee has a projected 5% reduction due to the construction of the Casino expansion; other revenues are expected to have no significant increase in the next fiscal year. Since the base level of expenditures was reduced by almost \$1.9 million in Fiscal Year 2013-14; 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 except for the Carson Street Improvement project.

The City has restored the employees' sick leave and vacation cash out policy and FY 2014-15 has budgeted \$200,000 to meet this outstanding annual obligation with the various employees' groups. In addition, the City has set aside an additional \$365,000 to pay down the Retirees' Health Insurance (OPEB) annual requirement cost to reduce the City's future unfunded liabilities. The rising cost of employees' pensions and CalPERS changes to the calculation for employers' contributions will likely impact the FY 2015-16 budget year.

Despite the challenging economic climate, careful management of the City budget and control of spending will enable the City to continue to maintain current levels of services to its residents without having to utilize its reserves. Careful planning of future Capital Projects by searching for outside resources such as grant funding or any other sources of alternative funding will also be important for the City to consider.

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 at 21815 Pioneer Blvd., Hawaiian Gardens, California 90716.

See independent auditors' report.

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BASIC FINANCIAL STATEMENTS

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CITY OF HAWAIIAN GARDENS

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 19,289,771
Receivables:	
Accounts	949,483
Interest	8,892
Loans	914,219
Due from other governments	674,351
Advances to Successor Agency	6,723,624
Capital assets, not depreciated	14,208,192
Capital assets, depreciated, net	<u>19,214,160</u>
 TOTAL ASSETS	 <u>61,982,692</u>
LIABILITIES:	
Accounts payable	876,339
Accrued liabilities	218,897
Unearned revenue	894,719
Long-term liabilities:	
Due within one year	541,807
Due in more than one year	<u>965,588</u>
 TOTAL LIABILITIES	 <u>3,497,350</u>
NET POSITION:	
Investment in capital assets	33,422,352
Restricted for:	
Public safety	15,515
Highways and streets	625,196
Culture and recreation	21,561
Air quality	114,922
Lighting and landscaping	482,612
Low and moderate income housing	3,883,537
Unrestricted	<u>19,919,647</u>
 TOTAL NET POSITION	 <u>\$ 58,485,342</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, 2014

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
Governmental activities:					
General government	\$ 6,052,505	\$ 29,030	\$ -	\$ -	\$ (6,023,475)
Public safety	3,332,962	87,074	100,039	-	(3,145,849)
Public works	2,411,659	817,364	991	-	(1,593,304)
Highways and streets	1,349,640	-	1,936,063	-	586,423
Culture and recreation	3,204,330	237,432	81,846	-	(2,885,052)
Urban development	317,298	-	180,262	-	(137,036)
Health and welfare	1,444,790	3,125	1,273,175	-	(168,490)
Total governmental activities	\$ 18,113,184	\$ 1,174,025	\$ 3,572,376	\$ -	(13,366,783)
General revenues:					
Taxes:					
Property taxes					1,504,630
Business license taxes					11,370,160
Sales taxes					772,165
Transient occupancy taxes					129,960
Franchise taxes					208,830
Other taxes					34,203
Motor vehicle in lieu, unrestricted					6,755
Investment income					47,365
Other revenues					367,279
Total general revenues					14,441,347
Change in net position					1,074,564
Net position at beginning of year, as restated					57,410,778
Net position at end of year					\$ 58,485,342

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

CITY OF HAWAIIAN GARDENS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Special Revenue Fund <u>Community Development Block Grant</u>
ASSETS		
Cash and investments	\$ 17,567,896	\$ -
Receivables:		
Accounts	949,483	-
Interest	8,892	-
Loans	-	888,719
Due from other governments	315,444	95,503
Due from other funds	316,475	-
Advances to Successor Agency	3,018,859	-
TOTAL ASSETS	<u>\$ 22,177,049</u>	<u>\$ 984,222</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 517,176	\$ 2,776
Accrued liabilities	181,892	3,652
Due to other funds	-	89,075
Unearned revenue	6,000	888,719
TOTAL LIABILITIES	<u>705,068</u>	<u>984,222</u>
DEFFERED INFLOWS OF RESOURCES:		
Unavailable revenues	<u>297,321</u>	<u>-</u>
FUND BALANCES (DEFICIT):		
Nonspendable:		
Advances to Successor Agency	2,721,538	-
Restricted for:		
Public safety	-	-
Public works	-	-
Highways and streets	-	-
Culture and recreation	-	-
Health and welfare	-	-
Low and moderate income housing	-	-
Committed for:		
Specific contingencies	15,000,000	-
Equipment replacement	750,000	-
Unassigned	<u>2,703,122</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICIT)	<u>21,174,660</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCSE AND FUND BALANCES		
	<u>\$ 22,177,049</u>	<u>\$ 984,222</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	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 301,202	\$ 1,420,673	\$ 19,289,771
-	-	-	949,483
-	-	-	8,892
25,500	-	-	914,219
-	200,000	63,404	674,351
-	-	-	316,475
3,704,765	-	-	6,723,624
<u>\$ 3,730,265</u>	<u>\$ 501,202</u>	<u>\$ 1,484,077</u>	<u>\$ 28,876,815</u>
\$ -	\$ 317,316	\$ 39,071	\$ 876,339
-	-	33,353	218,897
-	183,886	43,514	316,475
-	-	-	894,719
<u>-</u>	<u>501,202</u>	<u>115,938</u>	<u>2,306,430</u>
4,179	33,722	-	335,222
-	-	-	2,721,538
-	-	15,515	15,515
-	-	482,612	482,612
-	-	625,196	625,196
-	-	21,561	21,561
-	-	268,194	268,194
3,726,086	-	-	3,726,086
-	-	-	15,000,000
-	-	-	750,000
-	(33,722)	(44,939)	2,624,461
<u>3,726,086</u>	<u>(33,722)</u>	<u>1,368,139</u>	<u>26,235,163</u>
<u>\$ 3,730,265</u>	<u>\$ 501,202</u>	<u>\$ 1,484,077</u>	<u>\$ 28,876,815</u>

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CITY OF HAWAIIAN GARDENS

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

June 30, 2014

Fund balances - total governmental funds		\$ 26,235,163
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	\$ 14,208,192	
Depreciable assets, net of \$24,508,835 accumulated depreciation	<u>19,214,160</u>	
		33,422,352
The net OPEB obligation is not an due and payable in the current period and therefore, is not reported in the governmental funds.		
		-
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.		
		(1,507,395)
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>335,222</u>
Net position of governmental activities		<u><u>\$ 58,485,342</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, 2014

	General Fund	Special Revenue Fund Community Development Block Grant
REVENUES:		
Taxes	\$ 2,399,062	\$ -
Licenses and permits	11,969,338	-
Intergovernmental	94,642	180,261
Charges for services	421,103	-
Fines and penalties	69,922	-
Rental income	104,150	-
Investment income	25,779	-
Other revenues	251,792	-
TOTAL REVENUES	<u>15,335,788</u>	<u>180,261</u>
EXPENDITURES:		
Current:		
General government	4,445,976	20
Public safety	3,151,077	-
Public works	1,439,254	-
Highways and streets	180,585	-
Culture and recreation	2,918,907	-
Urban development	135,047	182,251
Health and welfare	-	-
Capital outlay	711	-
Debt service:		
Principal	87,538	-
TOTAL EXPENDITURES	<u>12,359,095</u>	<u>182,271</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,976,693</u>	<u>(2,010)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	2,010
Transfers out	(619,644)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(619,644)</u>	<u>2,010</u>
NET CHANGE IN FUND BALANCE	2,357,049	-
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>18,817,611</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 21,174,660</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 Successor Agency	Capital Projects		
\$ -	\$ -	\$ 286,700	\$ 2,685,762
-	-	-	11,969,338
-	663,263	2,615,102	3,553,268
-	-	35,657	456,760
-	-	17,152	87,074
-	-	-	104,150
-	-	1,864	27,643
-	-	336	252,128
-	663,263	2,956,811	19,136,123
-	-	-	4,445,996
-	-	180,081	3,331,158
-	-	291,650	1,730,904
-	-	1,169,055	1,349,640
-	-	14,096	2,933,003
-	-	-	317,298
-	-	1,409,379	1,409,379
-	1,237,843	83,301	1,321,855
-	-	-	87,538
-	1,237,843	3,147,562	16,926,771
-	(574,580)	(190,751)	2,209,352
-	543,849	75,000	620,859
-	-	(1,215)	(620,859)
-	543,849	73,785	-
-	(30,731)	(116,966)	2,209,352
3,726,086	(2,991)	1,485,105	24,025,811
\$ 3,726,086	\$ (33,722)	\$ 1,368,139	\$ 26,235,163

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, 2014

Net change in fund balances - total governmental funds		\$ 2,209,352
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital outlay	\$ 1,321,855	
Amounts expended for repairs and maintenance	<u>(662,662)</u>	
Capitalizable expenditures	659,193	
Depreciation expense	<u>(1,370,409)</u>	(711,216)
<p>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.</p>		
		51,625
<p>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.</p>		
Principal payments		87,538
<p>Governmental funds do not report the changes in the net OPEB asset/obligation, since it does not provide or require the use of current financial resources.</p>		
		(364,492)
<p>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:</p>		
Change in compensated absences		<u>(198,243)</u>
Change in net position of governmental activities		<u><u>\$ 1,074,564</u></u>

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

CITY OF HAWAIIAN GARDENS

STATEMENT OF NET POSITION
FIDUCIARY FUND

June 30, 2014

	<u>Successor Agency Private-Purpose Trust Fund</u>
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 4,105,110
Receivables:	
Loans	35,015
Restricted assets:	
Cash and investments with fiscal / other agents	1,791,896
TOTAL CURRENT ASSETS	<u>5,932,021</u>
NONCURRENT ASSETS:	
Capital assets:	
Nondepreciable	<u>4,185,090</u>
TOTAL ASSETS	<u>10,117,111</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	7,722
Interest payable	158,589
Deposits payable	23,230
Bonds payable, current portion	1,400,000
TOTAL CURRENT LIABILITIES	<u>1,589,541</u>
LONG-TERM LIABILITIES:	
Advances payable to Hawaiian Gardens Housing Authority	3,704,765
Advances payable to City of Hawaiian Gardens	3,018,859
Bonds payable	37,400,000
TOTAL LONG-TERM LIABILITIES	<u>44,123,624</u>
TOTAL LIABILITIES	<u>45,713,165</u>
NET POSITION:	
Held in trust for private purpose	<u><u>\$ (35,596,054)</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, 2014

	Successor Agency Private-Purpose Trust Fund
	<u> </u>
ADDITIONS:	
Taxes	\$ 3,559,101
Investment and rental income	30,224
Other revenues	<u>1,625</u>
TOTAL ADDITIONS	<u>3,590,950</u>
DEDUCTIONS:	
Contractual services	100,162
Interest and fiscal expenses	1,953,489
City administrative costs	<u>158,281</u>
TOTAL DEDUCTIONS	<u>2,211,932</u>
CHANGE IN NET POSITION	1,379,018
NET POSITION - BEGINNING OF YEAR	<u>(36,975,072)</u>
NET POSITION - END OF YEAR	<u><u>\$ (35,596,054)</u></u>

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

CITY OF HAWAIIAN GARDENS
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Hawaiian Gardens, California (the City) have been prepared in accordance 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, 2014

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 (the Authority) was established by a joint exercise of powers agreement between the City of Hawaiian Gardens (the City) and the former Redevelopment Agency of the City of Hawaiian Gardens (the former Redevelopment 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 City's operations, and both entities share the same governing board. As such, the Authority is considered to be a blended component unit of the City. The Authority currently has no debt outstanding related to the City. 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.

City of Hawaiian Gardens Civic League

The City of Hawaiian Gardens Civic League (the Civic League) is a nonprofit public benefit corporation with the explicit objective to promote civic events, enhance cultural endeavors, and support recreational and youth related activities in the City of Hawaiian Gardens. Even though the Civic League is a legally separate entity, in substance, the activities of the Civic League are part of the City's operations, and both entities share the same governing board. As such, the Civic League is considered to be a blended component unit of the City. No individual financial statements are prepared for the Civic League.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus:

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

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

Government-wide Financial Statements

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

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary private purpose trust fund. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

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 and a private-purpose trust 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, 2014

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 other long-term receivables are offset by either unearned revenues or a classification of fund balance that depends on what type of constraint there is on how the eventual proceeds can be spent.

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.

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, 2014

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:

Current Year Standards:

GASB 66 - *“Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62”*, required to be implemented in the current fiscal year did not impact the City.

GASB 70 - *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”*, required to be implemented in the current fiscal year did not impact the City.

See independent auditors’ report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Pending Accounting Standards:

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

- 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 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*", effective for the periods beginning after June 15, 2014.

E. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental funds balance sheet 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City does not have any deferred outflows of resources to report.

In addition to liabilities, the statement of net position and the governmental funds balance sheet 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 future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of this 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 funds balance sheet. The governmental funds report unavailable revenues from two sources: accrued interest on advances receivable and grants. These amounts are unavailable and recognized as an inflow of resources in the period that the amounts become available.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Capital Assets (Continued):

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

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

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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The property tax calendar:

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

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

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

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Net Position:

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, 2014, 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".

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.

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

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

N. Fund Balances:

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 receivables with no constraints on how the eventual proceeds are to be spent.
- 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). Amounts committed for 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 specific contingencies is \$15,750,000.
- 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, by resolution, 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.

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.

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

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

O. Use of Estimates:

The preparation of financial statements in accordance 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. Capital project budgets are long-term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements. 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, 2014, no budget was adopted for the Housing Authority Successor Agency Special Revenue Fund.

B. Expenditures in Excess of Appropriations:

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2014:

	<u>Final Budget</u>		<u>Actual</u>		<u>Variance with Final Budget</u>
Other Governmental Special Revenue Funds:					
Lighting and Landscaping	\$ 256,159	\$	291,650	\$	(35,491)
City of Hawaiian Gardens Civic League	-		14,096		(14,096)

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):

C. Accumulated Fund Deficits:

The Capital Projects Fund had a fund deficit of \$33,722 at June 30, 2014. The fund deficit relates to unavailable revenues for receivables from other governmental agencies that are outside of the availability period. Once the receivables are collected, the fund balance will be zero.

The Traffic Safety Special Revenue Fund had a fund deficit of \$44,939 at June 30, 2014. Management expects to eliminate the deficit fund balance with future revenues and transfers from the General Fund.

3. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2014, are classified in the accompanying financial statements as follows:

	Government Wide Statement of <u>Net Position</u>	Fiduciary Fund Statement of <u>Net Position</u>	<u>Total</u>
Cash and investments	\$ 19,289,771	\$ 4,105,110	\$ 23,394,881
Restricted:			
Cash and investments with fiscal / other agents	<u>-</u>	<u>1,791,896</u>	<u>1,791,896</u>
Total cash and investments	<u>\$ 19,289,771</u>	<u>\$ 5,897,006</u>	<u>\$ 25,186,777</u>

Cash and investments at June 30, 2014, consist of the following:

Cash on hand	\$ 2,579
Deposits with financial institutions	7,266,294
Investments	<u>17,917,904</u>
Total cash and investments	<u>\$ 25,186,777</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

3. CASH AND INVESTMENTS (CONTINUED):

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

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

<u>Investment Types</u> <u>Authorized by State Law</u>	<u>Authorized</u> <u>by</u> <u>Investment</u> <u>Policy</u>	<u>* Maximum</u> <u>Maturity</u>	<u>* Maximum</u> <u>Percentage</u> <u>of Portfolio</u>	<u>* Maximum</u> <u>Investment</u> <u>in One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
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, 2014

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. All investments of debt proceeds held by the bond trustee are reported in the Successor Agency Private-Purpose Trust Fiduciary Fund. 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, 2014

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) 1 Year or Less</u>
Local Agency Investment Fund	\$ 16,126,008
Held by Bond Trustee:	
Money Market Mutual Funds	<u>1,791,896</u>
Total	<u>\$ 17,917,904</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, 2014</u>	<u>Minimum Legal Rating</u>	<u>Ratings as of Year End</u>	
			<u>AAAm</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 16,126,008	N/A	\$ -	\$ 16,126,008
Held by Bond Trustee:				
Money Market Mutual Funds	<u>1,791,896</u>	A	<u>1,791,896</u>	<u>-</u>
Total	<u>\$ 17,917,904</u>		<u>\$ 1,791,896</u>	<u>\$ 16,126,008</u>

N/A - Not Applicable

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

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, 2014.

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, 2014, the City had deposits that were covered by the Federal Deposit Insurance Corporation insurance limits or collateralized as required by California Law.

For investments identified herein as held by bond trustee, the trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

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, 2014

4. INTERFUND TRANSACTIONS:

The composition of interfund balances as of June 30, 2014, 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	\$ 89,075
	Capital Projects Capital Projects Fund	183,886
	Other Governmental Funds	<u>43,514</u>
		<u>\$ 316,475</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>
Community Development Block Grant Special Revenue Fund (2)	General Fund	\$ 2,010
Capital Projects Capital Projects Fund (1)	General Fund	543,849
Other Governmental Funds (2)	General Fund	73,785
	Other Governmental Funds	<u>1,215</u>
		<u>\$ 620,859</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, 2014

5. CAPITAL ASSETS:

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	Balance at <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2014</u>
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>41,287</u>	<u>343,994</u>	<u>(385,281)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>14,249,479</u>	<u>343,994</u>	<u>(385,281)</u>	<u>14,208,192</u>
Capital assets, being depreciated:				
Buildings and improvements	17,062,045	239,721	-	17,301,766
Furniture and equipment	627,557	7,678	-	635,235
Vehicles	884,668	67,800	-	952,468
Infrastructure - road system	<u>24,448,245</u>	<u>385,281</u>	<u>-</u>	<u>24,833,526</u>
Total capital assets, being depreciated	<u>43,022,515</u>	<u>700,480</u>	<u>-</u>	<u>43,722,995</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,301,602)	(395,389)	-	(5,696,991)
Furniture and equipment	(373,820)	(28,977)	-	(402,797)
Vehicles	(406,736)	(37,654)	-	(444,390)
Infrastructure - road system	<u>(17,056,268)</u>	<u>(908,389)</u>	<u>-</u>	<u>(17,964,657)</u>
Total accumulated depreciation	<u>(23,138,426)</u>	<u>(1,370,409)</u>	<u>-</u>	<u>(24,508,835)</u>
Total capital assets, being depreciated, net	<u>19,884,089</u>	<u>(669,929)</u>	<u>-</u>	<u>19,214,160</u>
Total governmental activities capital assets, net	<u>\$ 34,133,568</u>	<u>\$ (325,935)</u>	<u>\$ (385,281)</u>	<u>\$ 33,422,352</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

5. CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions in the Statement of Activities for the year ended June 30, 2014:

General government	\$ 1,043,774
Public safety	1,804
Public works	18,093
Culture and recreation	271,327
Health and welfare	35,411
Total depreciation expense	<u>\$ 1,370,409</u>

6. LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance at			Due Within		
	July 1, 2013	Additions	Deletions	June 30, 2014	One Year	Due in More Than One Year
Note payable -SCE 1	\$ 210,564	\$ -	\$ (23,878)	\$ 186,686	\$ 26,049	\$ 160,637
Note payable - SCE 2	70,866	-	(19,013)	51,853	20,741	31,112
Compensated absences	454,970	449,967	(251,724)	653,213	449,967	203,246
Net OPEB obligation (asset) (Note 8)	-	364,492	(145,509)	218,983	-	218,983
CJPIA retro deposit payable (Note 9)	<u>441,307</u>	<u>268,396</u>	<u>(313,043)</u>	<u>396,660</u>	<u>45,050</u>	<u>351,610</u>
Total	<u>\$ 1,177,707</u>	<u>\$ 1,082,855</u>	<u>\$ (753,167)</u>	<u>\$ 1,507,395</u>	<u>\$ 541,807</u>	<u>\$ 965,588</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, 2014

6. LONG-TERM LIABILITIES (CONTINUED):

Notes Payable (Continued):

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

Year Ending June 30,	Amount
2015	\$ 46,790
2016	46,790
2017	36,410
2018	26,040
2019	26,040
2020 - 2021	56,469
	<u>\$ 238,539</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, 2014

7. PENSION PLAN (CONTINUED):

Funding Policies:

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 6.50% 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, 2014 was 6.70%. 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, 2014, was \$1,239,457. 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, 2014.

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
6/30/12	21.97%	\$ 930,398	100%	N/A	N/A	N/A
6/30/13	22.16%	1,008,469	100%	6.25%	\$ -	N/A
6/30/14	22.79%	925,242	100%	6.70%	\$ -	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, 2014

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

Plan Description (Continued):

The City has elected to join the *California Employers' Retiree Benefit Trust* (Trust), 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, 2014, the City received reimbursement for all pay-as-you-go expenses.

Membership of the plan consisted of the following at July 1, 2013, the date of the most recent actuarial valuation:

Retirees receiving benefits	20
Active plan members	<u>65</u>
Total	<u><u>85</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 \$153,664 of pay-as-you-go expenses for the fiscal year ended June 30, 2014, all of which were reimbursed by the Trust.

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 a period of 30 years on an open basis.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

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)	\$ 366,816
Interest adjustment on net OPEB obligation	(10,709)
Amortization adjustment to ARC	<u>8,385</u>
Annual OPEB cost	364,492
Actual contributions made	<u>-</u>
Decrease in net OPEB asset	364,492
Net OPEB Obligation (Asset) - beginning of year	<u>(145,509)</u>
Net OPEB Obligation (Asset) - end of year	<u>\$ 218,983</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, 2014, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/12	\$ 594,714	\$ 742,181	124.8 %	\$ (147,467)
06/30/13	580,191	578,233	99.7 %	(145,509)
06/30/14	364,492	-	0.0 %	218,983

Funded Status and Funding Progress:

As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$5,970,042, and the actuarial value of assets was \$3,215,430, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,754,612 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 53.9%. The covered payroll (annual payroll of active employees covered by the plan) was \$3,953,923, and the ratio of the UAAL to the covered payroll was 69.7%.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

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, 2013
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percentage of payroll, open
Amortization Period:	30 years
Actuarial Assumptions:	
Retirement Age	60 years old
Discount Rate:	7.36%
Inflation Rate:	2.75%
Healthcare Cost Trend Rate	4.00%
Projected Salary Increases:	3.00%

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

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 119 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, 2014

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 to \$20 million are paid under reinsurance agreements. (7) Costs of covered claims from \$20 million to \$50 million are paid under 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 \$30 million per occurrence. This \$30 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$15 million in reinsurance, subject to the same annual aggregate deductible previously stated, and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate limit.

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, 2014

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 \$18,083,048. 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 \$15,968,374. 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, 2014

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 2013-2014.

Retrospective Deposit Liabilities

As of June 30, 2014, based on the Authority's retrospective deposit computation, the city owes the Authority additional deposits of \$89,330 and \$307,330 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>	<u>Total</u>
2015	\$ 45,050	\$ -	\$ 45,050
2016	14,471	307,330	321,801
2017	14,759	-	14,759
2018	<u>15,050</u>	<u>-</u>	<u>15,050</u>
	<u>\$ 89,330</u>	<u>\$ 307,330</u>	<u>\$ 396,660</u>

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

10. RESTATEMENT OF BEGINNING NET POSITION

The net position reported in the government-wide financial statements as of July 1, 2013 was restated as follows:

Net position as previously reported - July 1, 2013	\$ 58,301,482
Adjustment to unearned revenue for revenues previously recognized in error	<u>(890,704)</u>
Net position as restated - July 1, 2013	<u>\$ 57,410,778</u>

11. 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, 2014:

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Capital assets, not being depreciated:				
Land	<u>\$ 4,185,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,185,090</u>

Advances Payable to City of Hawaiian Gardens:

During the year ended June 30, 2000, the City 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 former Redevelopment Agency 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, 2014 is \$160,364, net of allowance.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

11. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

Advances Payable to City of Hawaiian Gardens (Continued):

For the four years ended June 30, 2010, the City made annual advances to the former Redevelopment Agency to assist in funding the former 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, 2014 is \$2,858,495, net of allowance.

During the year ended June 30, 2013, interest receivable on the advances was recalculated at the LAIF rates to comply with AB 1484, and the advances balances were reduced accordingly. Additionally, the City has recorded a 20% reserve against the advances receivable from the former RDA of \$754,715, which represents the eventual required transfer to the Housing Authority Successor Agency Special Revenue Fund in accordance with AB 1484.

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 former 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, 2014, 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.

Additionally, AB 1484 required that 20% of all eventual advance repayments are to be transferred to the Housing Authority Successor Agency Special Revenue Fund to fund housing activity. Accordingly, during the year ended June 30, 2013, the City transferred 20% of the advance noted above to the Housing Authority Successor Agency Special Revenue Fund. The amount outstanding at June 30, 2014 is \$754,715.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

11. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

Long-Term Liabilities:

Long-term liabilities activity for the year ended June 30, 2014 was as follows:

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year	Due in More Than One Year
1999 Tax Allocation Refunding Bonds	\$ 800,000	\$ -	\$ (800,000)	\$ -	\$ -	\$ -
2004 Tax Allocation Refunding Bonds	33,345,000	-	(195,000)	33,150,000	1,050,000	32,100,000
2006 Tax Allocation Refunding Bonds	5,985,000	-	(335,000)	5,650,000	350,000	5,300,000
Total	\$ 40,130,000	\$ -	\$ (1,330,000)	\$ 38,800,000	\$ 1,400,000	\$ 37,400,000

1999 Tax Allocation Refunding Bonds:

In October 1999, the former Redevelopment Agency issued \$7,995,000 in Redevelopment Project No. 1 Tax Allocation Refunding Bonds (1999 Refunding Bonds). The 1999 Refunding Bonds were issued to current refund the Agency's outstanding \$7,335,000 1988 Tax Allocation Refunding Bonds. The 1999 Refunding Bonds were paid in full during the year ended June 30, 2014.

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 Redevelopment Agency Bonds Series A and B (Agency Bonds). The Authority's investments in the former Redevelopment 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 former Redevelopment Agency Bonds were issued to refund the outstanding 1993 Tax Allocation Refunding Bonds. The Redevelopment Agency Bonds were being used to finance and refinance redevelopment activities of the former Redevelopment 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.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

11. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued):

2004 Tax Allocation Revenue Bonds (Continued):

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 former Redevelopment 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, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,245,000	1,397,486	2,642,486
2020 - 2024	7,195,000	5,991,681	13,186,681
2025 - 2029	8,890,000	3,980,856	12,870,856
2030 - 2034	<u>11,335,000</u>	<u>1,472,375</u>	<u>12,807,375</u>
Totals	<u>\$ 33,150,000</u>	<u>\$ 18,951,564</u>	<u>\$ 52,101,564</u>

2006 Tax Allocation Revenue Bonds:

In July 2006, the former Redevelopment 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 former Redevelopment Agency and the City under which the former Redevelopment 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, 2014.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

11. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued):

2006 Tax Allocation Revenue Bonds (Continued):

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, 2014, bonds outstanding on the 2006 Tax Allocation Revenue Bonds were \$5,650,000. 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, 2014 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 350,000	\$ 271,425	\$ 621,425
2016	370,000	254,325	624,325
2017	385,000	236,394	621,394
2018	400,000	217,250	617,250
2019	425,000	196,625	621,625
2020 - 2024	2,450,000	635,500	3085,500
2025 - 2026	<u>1,270,000</u>	<u>64,250</u>	<u>1,334,250</u>
Totals	<u>\$ 5,650,000</u>	<u>\$ 1,875,769</u>	<u>\$ 7,525,769</u>

12. 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.

See independent auditors’ report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

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

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 were to 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 non-housing 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.

As part of the dissolution process AB 1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The former Redevelopment Agency (Successor Agency) had to remit \$3,634,163 to the CAC as a result of the due diligence reviews.

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, 2014

12. 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 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. The City has not yet heard from the State Controller's Office regarding the audit.

The Successor Agency's use and disposition of all properties held (Long Range Property Management Plan or LRPMP) was approved by the oversight board on June 25, 2014, however the Successor Agency is still awaiting approval from the DOF for the LRPMP.

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2014

12. 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 expended the construction costs as incurred since ownership of the constructed assets is retained by the District. For the year ended June 30, 2014, the City has expended \$105,305 in connection with this agreement.

13. SUBSEQUENT EVENTS:

Events occurring after June 30, 2014 have been evaluated for possible adjustments to the financial statements or disclosure as of December 30, 2014 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 fiscal year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Taxes	\$ 2,245,893	\$ 2,245,893	\$ 2,399,062	\$ 153,169
Licenses and permits	11,662,856	11,662,856	11,969,338	306,482
Intergovernmental	111,312	111,312	94,642	(16,670)
Charges for services	185,200	185,200	421,103	235,903
Fines and penalties	74,000	74,000	69,922	(4,078)
Rental income	137,888	137,888	104,150	(33,738)
Investment income	35,000	35,000	25,779	(9,221)
Other revenues	31,700	31,700	251,792	220,092
TOTAL REVENUES	14,483,849	14,483,849	15,335,788	851,939
EXPENDITURES:				
Current:				
General government	4,482,820	4,700,820	4,445,976	254,844
Public safety	3,344,224	3,344,224	3,151,077	193,147
Public works	1,548,432	1,548,432	1,439,254	109,178
Highways and streets	233,400	247,985	180,585	67,400
Culture and recreation	2,997,524	3,096,024	2,918,907	177,117
Urban development	165,851	165,851	135,047	30,804
Capital outlay	2,000	2,000	711	1,289
Debt service:				
Principal	-	-	87,538	(87,538)
TOTAL EXPENDITURES	12,774,251	13,105,336	12,359,095	746,241
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,709,598	1,378,513	2,976,693	1,598,180
OTHER FINANCING USES:				
Transfers out	(1,697,000)	(1,697,000)	(619,644)	1,077,356
TOTAL OTHER FINANCING USES	(1,697,000)	(1,697,000)	(619,644)	1,077,356
NET CHANGE IN FUND BALANCE	12,598	(318,487)	2,357,049	2,675,536
FUND BALANCE - BEGINNING OF YEAR	18,817,611	18,817,611	18,817,611	-
FUND BALANCE - END OF YEAR	<u>\$ 18,830,209</u>	<u>\$ 18,499,124</u>	<u>\$ 21,174,660</u>	<u>\$ 2,675,536</u>

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 fiscal year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 184,587	\$ 184,587	\$ 180,261	\$ (4,326)
EXPENDITURES:				
Current:				
General government	-	-	20	(20)
Urban development	184,587	184,587	182,251	2,336
TOTAL EXPENDITURES	184,587	184,587	182,271	2,316
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(2,010)	(2,010)
OTHER FINANCING SOURCES:				
Transfers in	-	-	2,010	2,010
TOTAL OTHER FINANCING SOURCES	-	-	2,010	2,010
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

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

CITY OF HAWAIIAN GARDENS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

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.

Capital project budgets are long-term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements. 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, 2014

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)
07/01/09	\$ 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%
07/01/13	5,970,042	3,215,430	2,754,612	53.86%	3,953,923	69.67%

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.

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 Civic League Fund - To account for activities of the City of Hawaiian Gardens Civic League.

CITY OF HAWAIIAN GARDENS

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue Funds			
	State Gas Tax	Air Quality Management District	Prop C Local Transit Assistance	Prop A Local Transit Assistance
ASSETS				
Cash and investments	\$ 35,132	\$ 110,291	\$ 92,762	\$ 14,399
Receivables:				
Due from other governments	49,426	4,631	-	-
TOTAL ASSETS	\$ 84,558	\$ 114,922	\$ 92,762	\$ 14,399
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 4,239	\$ -	\$ 3,802	\$ 4,168
Accrued liabilities	6,204	-	7,449	9,258
Due to other funds	-	-	-	-
TOTAL LIABILITIES	10,443	-	11,251	13,426
FUND BALANCES (DEFICIT):				
Restricted for:				
Public safety	-	-	-	-
Public works	-	-	-	-
Highways and streets	74,115	-	81,511	973
Culture and recreation	-	-	-	-
Health and welfare	-	114,922	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	74,115	114,922	81,511	973
TOTAL LIABILITIES AND FUND BALANCES	\$ 84,558	\$ 114,922	\$ 92,762	\$ 14,399

See independent auditors' report.

Special Revenue Funds (Continued)

Measure R Local Transit Assistance	Community Oriented Police Services	Housing Authority Section 8	Lighting and Landscaping	Traffic Safety	City of Hawaiian Gardens Civic League	Total Other Governmental Funds
\$ 469,342	\$ 23,848	\$ 158,404	\$ 494,934	\$ -	\$ 21,561	\$ 1,420,673
-	-	3,257	5,195	895	-	63,404
<u>\$ 469,342</u>	<u>\$ 23,848</u>	<u>\$ 161,661</u>	<u>\$ 500,129</u>	<u>\$ 895</u>	<u>\$ 21,561</u>	<u>\$ 1,484,077</u>
\$ 745	\$ 8,333	\$ 1,897	\$ 15,887	\$ -	\$ -	\$ 39,071
-	-	6,492	1,630	2,320	-	33,353
-	-	-	-	43,514	-	43,514
<u>745</u>	<u>8,333</u>	<u>8,389</u>	<u>17,517</u>	<u>45,834</u>	<u>-</u>	<u>115,938</u>
-	15,515	-	-	-	-	15,515
-	-	-	482,612	-	-	482,612
468,597	-	-	-	-	-	625,196
-	-	-	-	-	21,561	21,561
-	-	153,272	-	-	-	268,194
-	-	-	-	(44,939)	-	(44,939)
<u>468,597</u>	<u>15,515</u>	<u>153,272</u>	<u>482,612</u>	<u>(44,939)</u>	<u>21,561</u>	<u>1,368,139</u>
<u>\$ 469,342</u>	<u>\$ 23,848</u>	<u>\$ 161,661</u>	<u>\$ 500,129</u>	<u>\$ 895</u>	<u>\$ 21,561</u>	<u>\$ 1,484,077</u>

CITY OF HAWAIIAN GARDENS

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

For the fiscal year ended June 30, 2014

	Special Revenue Funds			
	State Gas Tax	Air Quality Management District	Prop C Local Transit Assistance	Prop A Local Transit Assistance
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	499,767	17,653	203,566	368,970
Charges for services	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	4	229	226	5
Other revenues	-	-	-	336
TOTAL REVENUES	<u>499,771</u>	<u>17,882</u>	<u>203,792</u>	<u>369,311</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Highways and streets	425,656	-	334,461	390,111
Culture and recreation	-	-	-	-
Health and welfare	-	1,082	-	-
Capital outlay	-	83,301	-	-
TOTAL EXPENDITURES	<u>425,656</u>	<u>84,383</u>	<u>334,461</u>	<u>390,111</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>74,115</u>	<u>(66,501)</u>	<u>(130,669)</u>	<u>(20,800)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	74,115	(66,501)	(130,669)	(20,800)
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>181,423</u>	<u>212,180</u>	<u>21,773</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 74,115</u>	<u>\$ 114,922</u>	<u>\$ 81,511</u>	<u>\$ 973</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Measure R Local Transit Assistance	Community Oriented Police Services	Housing Authority Section 8	Lighting and Landscaping	Traffic Safety	City of Hawaiian Gardens Civic League	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 286,700	\$ -	\$ -	\$ 286,700
151,024	100,000	1,273,131	991	-	-	2,615,102
-	-	-	-	-	35,657	35,657
-	-	-	-	17,152	-	17,152
625	39	44	692	-	-	1,864
-	-	-	-	-	-	336
<u>151,649</u>	<u>100,039</u>	<u>1,273,175</u>	<u>288,383</u>	<u>17,152</u>	<u>35,657</u>	<u>2,956,811</u>
-	100,000	-	-	80,081	-	180,081
-	-	-	291,650	-	-	291,650
18,827	-	-	-	-	-	1,169,055
-	-	-	-	-	14,096	14,096
-	-	1,408,297	-	-	-	1,409,379
-	-	-	-	-	-	83,301
<u>18,827</u>	<u>100,000</u>	<u>1,408,297</u>	<u>291,650</u>	<u>80,081</u>	<u>14,096</u>	<u>3,147,562</u>
<u>132,822</u>	<u>39</u>	<u>(135,122)</u>	<u>(3,267)</u>	<u>(62,929)</u>	<u>21,561</u>	<u>(190,751)</u>
-	-	75,000	-	-	-	75,000
-	-	-	(1,215)	-	-	(1,215)
-	-	75,000	(1,215)	-	-	73,785
132,822	39	(60,122)	(4,482)	(62,929)	21,561	(116,966)
335,775	15,476	213,394	487,094	17,990	-	1,485,105
<u>\$ 468,597</u>	<u>\$ 15,515</u>	<u>\$ 153,272</u>	<u>\$ 482,612</u>	<u>\$ (44,939)</u>	<u>\$ 21,561</u>	<u>\$ 1,368,139</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 468,589	\$ 468,589	\$ 499,767	\$ 31,178
Investment income	-	-	4	4
TOTAL REVENUES	<u>468,589</u>	<u>468,589</u>	<u>499,771</u>	<u>31,182</u>
EXPENDITURES:				
Current:				
Highways and streets	<u>464,643</u>	<u>464,643</u>	<u>425,656</u>	<u>38,987</u>
TOTAL EXPENDITURES	<u>464,643</u>	<u>464,643</u>	<u>425,656</u>	<u>38,987</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,946</u>	<u>3,946</u>	<u>74,115</u>	<u>70,169</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>180,000</u>	<u>180,000</u>	<u>-</u>	<u>(180,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>180,000</u>	<u>180,000</u>	<u>-</u>	<u>(180,000)</u>
NET CHANGE IN FUND BALANCE	183,946	183,946	74,115	(109,831)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 183,946</u>	<u>\$ 183,946</u>	<u>\$ 74,115</u>	<u>\$ (109,831)</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 17,000	\$ 17,000	\$ 17,653	\$ 653
Investment income	-	-	229	229
TOTAL REVENUES	<u>17,000</u>	<u>17,000</u>	<u>17,882</u>	<u>882</u>
EXPENDITURES:				
Current:				
Health and welfare	22,000	22,000	1,082	20,918
Capital outlay	<u>169,000</u>	<u>169,000</u>	<u>83,301</u>	<u>85,699</u>
TOTAL EXPENDITURES	<u>191,000</u>	<u>191,000</u>	<u>84,383</u>	<u>106,617</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(174,000)	(174,000)	(66,501)	107,499
FUND BALANCE - BEGINNING OF YEAR	<u>181,423</u>	<u>181,423</u>	<u>181,423</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,423</u>	<u>\$ 7,423</u>	<u>\$ 114,922</u>	<u>\$ 107,499</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 201,454	\$ 201,454	\$ 203,566	\$ 2,112
Investment income	-	-	226	226
TOTAL REVENUES	201,454	201,454	203,792	2,338
EXPENDITURES:				
Current:				
Highways and streets	347,365	347,365	334,461	12,904
TOTAL EXPENDITURES	347,365	347,365	334,461	12,904
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(145,911)	(145,911)	(130,669)	15,242
FUND BALANCE - BEGINNING OF YEAR	212,180	212,180	212,180	-
FUND BALANCE - END OF YEAR	\$ 66,269	\$ 66,269	\$ 81,511	\$ 15,242

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 437,870	\$ 437,870	\$ 368,970	\$ (68,900)
Investment income	-	-	5	5
Other revenues	-	-	336	336
TOTAL REVENUES	437,870	437,870	369,311	(68,559)
EXPENDITURES:				
Current:				
Highways and streets	413,073	413,073	390,111	22,962
TOTAL EXPENDITURES	413,073	413,073	390,111	22,962
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,797	24,797	(20,800)	(45,597)
FUND BALANCE - BEGINNING OF YEAR	21,773	21,773	21,773	-
FUND BALANCE - END OF YEAR	\$ 46,570	\$ 46,570	\$ 973	\$ (45,597)

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 151,090	\$ 151,090	\$ 151,024	\$ (66)
Investment income	-	-	625	625
TOTAL REVENUES	151,090	151,090	151,649	559
EXPENDITURES				
Current:				
Highways and streets	400,000	400,000	18,827	381,173
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(248,910)	(248,910)	132,822	381,732
FUND BALANCE - BEGINNING OF YEAR	335,775	335,775	335,775	-
FUND BALANCE - END OF YEAR	\$ 86,865	\$ 86,865	\$ 468,597	\$ 381,732

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Investment income	-	-	39	39
TOTAL REVENUES	<u>100,000</u>	<u>100,000</u>	<u>100,039</u>	<u>39</u>
EXPENDITURES				
Current:				
Public safety	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	39	39
FUND BALANCE - BEGINNING OF YEAR	<u>15,476</u>	<u>15,476</u>	<u>15,476</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 15,476</u>	<u>\$ 15,476</u>	<u>\$ 15,515</u>	<u>\$ 39</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,435,304	\$ 1,435,304	\$ 1,273,131	\$ (162,173)
Investment income	100	100	44	(56)
TOTAL REVENUES	<u>1,435,404</u>	<u>1,435,404</u>	<u>1,273,175</u>	<u>(162,229)</u>
EXPENDITURES:				
Current:				
Health and welfare	<u>1,621,422</u>	<u>1,621,422</u>	<u>1,408,297</u>	<u>213,125</u>
TOTAL EXPENDITURES	<u>1,621,422</u>	<u>1,621,422</u>	<u>1,408,297</u>	<u>213,125</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(186,018)</u>	<u>(186,018)</u>	<u>(135,122)</u>	<u>50,896</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>225,000</u>	<u>225,000</u>	<u>75,000</u>	<u>(150,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>225,000</u>	<u>225,000</u>	<u>75,000</u>	<u>(150,000)</u>
NET CHANGE IN FUND BALANCE	38,982	38,982	(60,122)	(99,104)
FUND BALANCE - BEGINNING OF YEAR	<u>213,394</u>	<u>213,394</u>	<u>213,394</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 252,376</u>	<u>\$ 252,376</u>	<u>\$ 153,272</u>	<u>\$ (99,104)</u>

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 246,000	\$ 246,000	\$ 286,700	\$ 40,700
Intergovernmental	-	-	991	991
Investment income	-	-	692	692
TOTAL REVENUES	<u>246,000</u>	<u>246,000</u>	<u>288,383</u>	<u>42,383</u>
EXPENDITURES:				
Current:				
Public works	<u>256,159</u>	<u>256,159</u>	<u>291,650</u>	<u>(35,491)</u>
TOTAL EXPENDITURES	<u>256,159</u>	<u>256,159</u>	<u>291,650</u>	<u>(35,491)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,159)</u>	<u>(10,159)</u>	<u>(3,267)</u>	<u>6,892</u>
OTHER FINANCING USES:				
Transfers out	<u>-</u>	<u>-</u>	<u>(1,215)</u>	<u>(1,215)</u>
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>(1,215)</u>	<u>(1,215)</u>
NET CHANGE IN FUND BALANCE	(10,159)	(10,159)	(4,482)	5,677
FUND BALANCE - BEGINNING OF YEAR	<u>487,094</u>	<u>487,094</u>	<u>487,094</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 476,935</u>	<u>\$ 476,935</u>	<u>\$ 482,612</u>	<u>\$ 5,677</u>

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and penalties	\$ 17,000	\$ 17,000	\$ 17,152	\$ 152
TOTAL REVENUES	17,000	17,000	17,152	152
EXPENDITURES				
Current:				
Public safety	91,800	91,800	80,081	11,719
TOTAL EXPENDITURES	91,800	91,800	80,081	11,719
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(74,800)	(74,800)	(62,929)	11,871
OTHER FINANCING SOURCES:				
Transfers in	40,000	40,000	-	(40,000)
TOTAL OTHER FINANCING SOURCES	40,000	40,000	-	(40,000)
NET CHANGE IN FUND BALANCE	(34,800)	(34,800)	(62,929)	(28,129)
FUND BALANCE - BEGINNING OF YEAR	17,990	17,990	17,990	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (16,810)	\$ (16,810)	\$ (44,939)	\$ (28,129)

See independent auditors' report.

CITY OF HAWAIIAN GARDENS

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

CITY OF HAWAIIAN GARDENS CIVIC LEAGUE SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 4,541	\$ 4,541	\$ 35,657	\$ 31,116
TOTAL REVENUES	4,541	4,541	35,657	31,116
EXPENDITURES				
Current:				
Culture and recreation	-	-	14,096	(14,096)
TOTAL EXPENDITURES	-	-	14,096	(14,096)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,541	4,541	21,561	17,020
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 4,541	\$ 4,541	\$ 21,561	\$ 17,020

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, 2014

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

Contents:	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	92
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and casino license fee.	100
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	107
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	110
<u>Operating Information</u> - These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	112

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

CITY OF HAWAIIAN GARDENS

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
Governmental activities				
Net investment in capital assets	\$ (8,382,519)	\$ (8,112,953)	\$ (6,487,493)	\$ (3,492,729)
Restricted	2,492,902	3,241,677	4,395,094	5,707,857
Unrestricted	8,208,447	11,264,102	12,401,215	12,813,583
Total net position	<u>\$ 2,318,830</u>	<u>\$ 6,392,826</u>	<u>\$ 10,308,816</u>	<u>\$ 15,028,711</u>

Fiscal Year					
<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
\$ (4,507,696)	\$ (3,524,365)	\$ 36,451,627	\$ 34,476,494	\$ 34,133,568	\$ 33,422,352
6,937,550	7,835,302	8,897,227	5,067,991	6,101,895	5,143,343
<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>19,919,647</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>	<u>\$ 58,485,342</u>

CITY OF HAWAIIAN GARDENS

CHANGES IN NET POSITION

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
Expenses				
Governmental activities:				
General government	\$ 5,762,647	\$ 6,577,405	\$ 6,062,061	\$ 6,376,603
Public safety	2,748,910	2,687,259	3,076,208	3,211,600
Public works	1,308,662	1,384,822	1,564,133	1,891,194
Highways and streets	2,240,664	2,577,800	2,114,683	3,042,425
Culture and recreation	2,489,541	3,136,595	4,007,930	3,867,286
Urban development	1,382,237	1,037,822	822,744	996,756
Health and welfare	976,007	975,746	926,553	1,061,060
Interest on long-term debt	2,359,155	2,339,139	3,411,036	2,470,165
Total governmental activities expenses	<u>19,267,823</u>	<u>20,716,588</u>	<u>21,985,348</u>	<u>22,917,089</u>
Program Revenues				
Governmental activities:				
Charges for services				
General government	100,849	96,878	102,814	135,651
Public safety	461,542	658,938	568,487	986,372
Public works	288,899	269,998	281,424	299,565
Culture and recreation	523,941	577,301	313,776	94,197
Health and welfare	4,974	109,180	104,680	105,486
Operating grants and contributions	2,525,149	2,931,450	3,266,016	2,488,580
Capital grants and contributions	-	506,710	83,129	499,736
Total governmental activities program revenues	<u>3,905,354</u>	<u>5,150,455</u>	<u>4,720,326</u>	<u>4,609,587</u>
Net (Expense)/Revenue - Governmental Activities	<u>(15,362,469)</u>	<u>(15,566,133)</u>	<u>(17,265,022)</u>	<u>(18,307,502)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	4,679,678	5,337,310	5,841,469	6,106,660
Business license taxes	9,306,103	10,804,786	11,676,652	13,252,065
Sales taxes	615,476	634,205	690,784	694,394
Franchise taxes	155,249	162,522	168,341	153,861
Other taxes	47,780	73,352	62,424	52,189
Motor vehicle in lieu, unrestricted	1,021,176	1,517,327	1,325,587	1,426,058
Investment income	461,737	585,675	1,237,348	1,153,044
Other general revenues	258,873	524,952	178,407	189,126
Total governmental activities	<u>16,546,072</u>	<u>19,640,129</u>	<u>21,181,012</u>	<u>23,027,397</u>
Change in net position before extraordinary gain	1,183,603	4,073,996	3,915,990	4,719,895
Extraordinary gain (loss) on dissolution of RDA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 1,183,603</u>	<u>\$ 4,073,996</u>	<u>\$ 3,915,990</u>	<u>\$ 4,719,895</u>

Source: City of Hawaiian Gardens, Finance Department

Fiscal Year					
2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
\$ 8,743,259	\$ 10,072,928	\$ 8,775,983	\$ 6,191,160	\$ 6,815,321	\$ 6,052,505
3,575,518	3,552,391	3,443,643	3,398,478	3,571,344	3,332,962
1,821,252	1,764,726	1,550,686	1,775,077	2,136,582	2,411,659
2,759,782	1,830,911	1,454,659	1,437,639	1,459,348	1,349,640
3,899,959	3,491,850	3,709,136	7,686,306	3,461,731	3,204,330
821,009	624,566	3,335,270	658,504	629,006	317,298
1,255,981	1,277,996	1,324,531	1,434,204	1,532,618	1,444,790
2,324,079	2,208,365	2,127,469	1,216,576	-	-
<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>	<u>18,113,184</u>
350,998	8,416	3,273	21,797	410	29,030
208,209	98,194	1,000	85,249	74,820	87,074
889,034	623,352	469,288	519,232	913,998	817,364
120,450	104,572	114,225	187,863	183,181	237,432
129,483	195,253	2,145	260	304	3,125
3,651,069	3,982,760	3,580,784	3,982,145	3,177,014	3,572,376
529,850	627,892	3,265	321,527	-	-
<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>4,746,401</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>	<u>(13,366,783)</u>
7,195,328	6,405,122	5,966,338	3,793,578	1,697,928	1,504,630
14,117,458	13,372,929	12,760,534	12,738,887	11,850,275	11,370,160
705,319	625,572	654,284	723,098	761,152	772,165
181,547	182,528	186,371	197,451	197,706	208,830
31,514	67,964	124,417	143,522	154,971	164,163
1,454,009	1,339,490	1,317,884	7,877	8,162	6,755
617,954	288,510	134,720	47,942	59,930	47,365
88,010	64,766	409,073	311,548	725,566	367,279
<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>	<u>14,441,347</u>
5,069,393	3,163,587	6,224	(715,968)	199,467	1,074,564
-	-	-	37,867,843	(2,250,125)	-
<u>\$ 5,069,393</u>	<u>\$ 3,163,587</u>	<u>\$ 6,224</u>	<u>\$ 37,151,875</u>	<u>\$ (2,050,658)</u>	<u>\$ 1,074,564</u>

CITY OF HAWAIIAN GARDENS

FUND BALANCES OF GOVERNMENTAL FUNDS

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

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
General Fund				
Nonspendable				
Committed				
Unassigned				
Total General Fund				
All Other Governmental Funds				
Nonspendable				
Restricted				
Public safety				
Public works				
Debt service				
Highways and streets				
Urban development				
Culture and recreation				
Health and welfare				
Unassigned				
Total All Other Governmental Funds				
Total All Governmental Funds				
General Fund				
Reserved	\$ 1,260,252	\$ 2,766,990	\$ 3,753,111	\$ 3,316,082
Unreserved	5,787,267	7,708,295	9,742,260	10,892,539
Total General Fund	<u>7,047,519</u>	<u>10,475,285</u>	<u>13,495,371</u>	<u>14,208,621</u>
All Other Governmental Funds				
Reserved	6,310,926	6,102,532	12,958,711	6,036,262
Unreserved, reported in:				
Special revenue funds	2,372,878	3,193,682	4,344,677	5,322,579
Capital projects funds	-	-	(52,096)	(81,077)
Total All Other Governmental Funds	<u>8,683,804</u>	<u>9,296,214</u>	<u>17,251,292</u>	<u>11,277,764</u>
Total All Governmental Funds	<u>\$ 15,731,323</u>	<u>\$ 19,771,499</u>	<u>\$ 30,746,663</u>	<u>\$ 25,486,385</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					
2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
		\$ -	\$ 3,771,450	\$ 2,721,538	\$ 2,721,538
		-	-	14,650,000	15,750,000
		20,095,731	15,443,364	1,446,073	2,703,122
		<u>20,095,731</u>	<u>19,214,814</u>	<u>18,817,611</u>	<u>21,174,660</u>
		-	-	-	-
		94,485	17,361	33,466	15,515
		2,857,483	350,586	487,094	482,612
		252,140	-	-	-
		335,059	562,423	569,728	625,196
		7,881,826	2,975,550	3,726,086	3,726,086
		-	-	-	21,561
		230,947	275,184	394,817	268,194
		(4,480,770)	(12,175)	(2,991)	(78,661)
		<u>7,171,170</u>	<u>4,168,929</u>	<u>5,208,200</u>	<u>5,060,503</u>
		<u>\$ 27,266,901</u>	<u>\$ 23,383,743</u>	<u>\$ 24,025,811</u>	<u>\$ 26,235,163</u>

\$ 3,960,018	\$ 5,685,769
<u>12,602,337</u>	<u>15,348,649</u>
<u>16,562,355</u>	<u>21,034,418</u>

9,258,799	8,631,506
1,071,053	699,391
<u>(279,391)</u>	<u>(2,496,232)</u>
<u>10,050,461</u>	<u>6,834,665</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			
	2004-05	2005-06	2006-07	2007-08
Revenues				
Taxes	\$ 6,354,896	\$ 7,084,914	\$ 7,842,778	\$ 8,071,962
Licenses and permits	9,824,414	11,490,064	12,280,520	14,257,240
Intergovernmental	2,816,312	3,704,233	3,768,272	3,231,958
Foundation contributions	5,940	506,710	83,150	499,250
Charges for services	79,748	90,381	87,900	103,602
Fines and penalties	130,773	176,779	168,314	159,332
Rental income	977,859	1,005,169	141,426	145,003
Investment income	473,692	585,785	1,237,348	1,153,044
Other revenue	247,392	466,147	341,491	232,753
Gain on sale of agency property	-	140,002	-	-
Total Revenues	<u>20,911,026</u>	<u>25,250,184</u>	<u>25,951,199</u>	<u>27,854,144</u>
Expenditures				
Current:				
General government	4,730,487	4,718,045	4,935,292	5,371,729
Public safety	2,731,411	2,684,724	3,073,673	3,198,515
Public works	1,237,449	1,204,851	1,207,237	1,275,918
Highways and streets	5,970,605	2,220,587	1,660,678	1,242,829
Culture and recreation	2,381,893	2,726,177	3,126,003	3,419,025
Urban development	1,382,237	1,673,136	1,050,126	1,250,831
Health and welfare	967,713	969,686	916,166	1,050,616
Capital outlay	1,318,204	1,822,340	3,228,704	10,182,424
Debt Service:				
Principal	600,000	630,000	705,000	3,320,000
Interest	2,928,931	2,801,435	2,784,104	2,802,535
Payment to bond escrow agent	-	-	759,204	-
Cost of issuance	-	-	389,237	-
Bond premiums and discounts	-	-	-	-
Total Expenditures	<u>24,248,930</u>	<u>21,450,981</u>	<u>23,835,424</u>	<u>33,114,422</u>
Excess of revenues over/(under) expenditure	<u>(3,337,904)</u>	<u>3,799,203</u>	<u>2,115,775</u>	<u>(5,260,278)</u>
Other Financing Sources/(Uses)				
Transfers in	1,861,413	2,136,556	11,527,855	6,957,342
Transfers out	(1,861,413)	(2,136,556)	(11,527,855)	(6,957,342)
Sale of property	-	240,973	98,888	-
Issuance of long-term debt	-	-	12,505,000	-
Payment to bond escrow agent	-	-	(3,934,042)	-
Bond premium	-	-	189,543	-
Total other financing sources/(uses)	<u>-</u>	<u>240,973</u>	<u>8,859,389</u>	<u>-</u>
Net change in fund balances before extraor	<u>(3,337,904)</u>	<u>4,040,176</u>	<u>10,975,164</u>	<u>(5,260,278)</u>
Extraordinary loss on dissolution of RDA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (3,337,904)</u>	<u>\$ 4,040,176</u>	<u>\$ 10,975,164</u>	<u>\$ (5,260,278)</u>
Debt service as a percentage of noncapital exp.	18.19%	21.46%	14.64%	19.44%

Source: City of Hawaiian Gardens, Finance Department

Fiscal Year					
2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
\$ 10,500,124	\$ 9,464,075	\$ 7,990,645	\$ 4,932,237	\$ 2,889,739	\$ 2,685,762
14,526,268	13,685,819	13,053,035	13,092,096	12,613,530	11,969,338
2,877,183	3,505,975	3,557,418	3,996,356	3,450,920	3,553,268
529,850	504,800	-	-	-	-
843,071	344,766	261,805	309,501	259,280	456,760
183,713	96,944	110,825	85,477	74,810	87,074
109,186	131,250	127,593	120,877	127,429	104,150
502,948	156,328	134,720	46,374	47,752	27,643
143,299	83,801	507,906	177,531	327,481	252,128
-	-	-	-	-	-
<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>	<u>19,136,123</u>
7,723,707	9,016,829	7,081,365	5,319,270	5,356,118	4,445,996
3,572,983	3,549,856	3,441,839	3,396,674	3,569,540	3,331,158
1,306,535	1,557,724	1,532,211	1,552,330	1,742,331	1,730,904
1,323,897	1,257,060	1,412,771	1,437,639	1,459,348	1,349,640
3,525,838	3,173,330	3,426,149	3,635,312	3,186,491	2,933,003
820,063	624,566	370,302	631,959	620,648	317,298
1,247,533	1,269,548	1,313,431	1,423,104	1,502,214	1,409,379
4,451,112	1,294,095	3,990,791	4,194,454	1,364,288	1,321,855
2,340,000	2,245,000	1,140,000	1,216,792	48,519	87,538
2,777,543	2,729,483	2,637,270	1,051,776	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<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>16,926,771</u>
<u>1,126,431</u>	<u>1,256,267</u>	<u>(602,182)</u>	<u>(1,098,861)</u>	<u>941,444</u>	<u>2,209,352</u>
3,092,410	3,216,017	1,980,053	5,394,736	1,942,614	620,859
(3,092,410)	(3,216,017)	(1,980,053)	(5,394,736)	(1,942,614)	(620,859)
-	-	-	-	-	-
-	-	-	346,741	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	346,741	-	-
1,126,431	1,256,267	(602,182)	(752,120)	941,444	2,209,352
-	-	-	(3,131,038)	(299,376)	-
<u>\$ 1,126,431</u>	<u>\$ 1,256,267</u>	<u>\$ (602,182)</u>	<u>\$ (3,883,158)</u>	<u>\$ 642,068</u>	<u>\$ 2,209,352</u>
23.65%	20.35%	14.57%	9.61%	0.26%	0.52%

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
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
2014	431,620,356	118,940,806	44,566,404	10,858,133	14,196,767	25,498,006

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>
\$ 3,613,828	\$ 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%
3,154,507	20,184,271	30,250	669,049,500	94.151%

CITY OF HAWAIIAN GARDENS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

	Fiscal Year			
	2004-05	2005-06	2006-07	2007-08
Basic Levy (Note 1)	1.00000	1.00000	1.00000	1.00000
Overlapping Rates (Note 2):				
ABC Unified School District	0.02657	0.02745	0.02427	0.02434
Cerritos Community College District	0.01908	0.02424	0.02392	0.01071
County Detentions Facility 1987 Debt	0.00092	0.00080	0.00066	0.00000
LA County Flood Control	0.00025	0.00005	0.00005	0.00000
Long Beach Community College District	0.01239	0.01857	0.01153	0.01839
Long Beach Unified School District	0.04667	0.04075	0.03811	0.03457
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450
Total Direct & Overlapping Tax Rates	<u>1.11168</u>	<u>1.11706</u>	<u>1.10324</u>	<u>1.09251</u>
City's Share of 1% Levy Per Prop 13 (Note 3)	0.05602	0.05602	0.05602	0.05602
Redevelopment Rate (Note 4)	1.00697	1.00604	1.00541	1.00450
Total Direct Rate (Note 5)	0.89231	0.91096	0.92027	0.92833

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>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.02388	0.02695	0.02920	0.02858	0.02453	0.02894
0.00994	0.01854	0.02677	0.01782	0.02594	0.02502
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.02181	0.02392	0.02559	0.02615	0.05095	0.02241
0.03220	0.08663	0.08834	0.09223	0.09394	0.07981
0.00430	0.00430	0.00370	0.00370	0.00350	0.00350
<u>1.09213</u>	<u>1.16034</u>	<u>1.17360</u>	<u>1.16848</u>	<u>1.19886</u>	<u>1.15968</u>
0.05602	0.05602	0.05602	0.05602	0.05602	0.05602
1.00430	1.00430	1.00370	1.00370	0.00000	0.00000
0.93020	0.92373	0.92038	0.92074	0.92612	0.32190

CITY OF HAWAIIAN GARDENS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2013-14		Fiscal Year 2004-05	
	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 \$ 21,041,389	3.14%	1 \$ 17,952,602	3.74%
Irving I Moskowitz Foundation	2 18,228,331	2.72%		
Extra Space Properties Ninety Four LP	3 14,500,000	2.17%		
HPE Hawaiian Gardens Retail LLC	4 12,858,000	1.92%		
Colton Hawaiian Gardens LLC	5 10,669,884	1.59%		
Xavier A Wong Trust Et Al	6 10,211,473	1.53%		
Hawaiian Gardens Square	7 10,013,602	1.50%	7 6,726,000	1.40%
DV Properties	8 9,896,312	1.48%	6 7,360,225	1.53%
John E and Linda M Franklin Trust	9 9,191,396	1.37%		
Whelan Investments NC	10 9,157,470	1.37%	4 7,476,050	1.56%
CCGMNG I LLC			2 8,759,678	1.82%
Susa Partnership LLP			3 7,817,886	1.63%
Hawaiian Urdang and Cadence			5 7,405,200	1.54%
Hawaiian Gardens Housing Partners			8 6,168,457	1.29%
Almost Cypress Limited			9 5,933,796	1.24%
Jada Inc			10 5,396,502	1.12%
	<u>\$ 125,767,857</u>	<u>18.80%</u>	<u>\$ 80,996,396</u>	<u>16.87%</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
2005	\$ 137,132	\$ 126,822	92.48%
2006	141,641	129,899	91.71%
2007	142,336	129,711	91.13%
2008	139,771	129,834	92.89%
2009	146,503	138,785	94.73%
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%
2014	149,558	134,730	90.09%

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
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%
2014	10,831,248	9,991,512	92.25%	10,831,247	20,822,759	192.25%

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			
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)	-	(3)	0.00%	0%	-
2013	(3)	-	(3)	0.00%	0%	-
2014	(3)	-	(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, 2014

Overlapping Debt (Note 1):	Debt Outstanding	Percent Applicable To City	Estimated City's Share of Overlapping Debt 6/30/2014
Metropolitan Water District	\$ 64,271,492	0.005%	\$ 3,521
Cerritos CC DS 2005 Refunding Bonds	20,769,770	1.783%	370,230
Cerritos CC DS 2004 Series 2004A, 2006, 2009C & 2012D	166,345,515	1.783%	2,965,178
ABC Unified School District 1997 SER B DS	29,626,700	5.340%	1,582,213
ABC Unified School District 2003 REF SER A DS	12,930,000	5.370%	694,311
ABC Unified School District 2010 REF	6,025,000	5.370%	323,528
Long Beach CCD Various	415,697,749	0.001%	2,299
Long Beach Unified School District Various	536,547,292	0.001%	2,969
Total Overlapping Debt			5,944,249
City of Hawaiian Gardens Direct Debt at 6/30/14	(2)	100.000%	(2)
Total Net Direct and Overlapping Governmental Debt			\$ 5,944,249
2013-14 Assessed Valuation	\$ 669,049,500		
Ratios to 2013/14 Assessed Valuation:			
Direct Debt		0.00%	
Overlapping Debt		11.74%	
Total Debt (Direct & Overlapping)		11.74%	

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	\$ 669,049,500
Debt limit (15% of assessed value)	100,357,425
Debt applicable to limit (see Note)	-
Legal debt margin - Current Year	<u><u>\$ 100,357,425</u></u>

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
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%
2013-14	100,357,425	-	100,357,425	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
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%
2013	14,456	211,665	14,642	8.6%

Source: The HdL Companies

CITY OF HAWAIIAN GARDENS

PRINCIPAL EMPLOYERS

Current Year and Three Years Ago

Employer	Fiscal Year 2013-14		Fiscal Year 2010-11	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Hawaiian Gardens Card Club	1,633	23.82%	1,170	15.60%
Tri-City Medical Center	374	5.46%	300	4.00%
ABC Unified School District	170	2.48%	200	2.67%
Zion Market	92	1.34%		
City of Hawaiian Gardens	80	1.17%	80	1.07%
Total Building Care, Inc.	70	1.02%	70	0.93%
Food 4 Less #775	61	0.89%	113	1.51%
Howard Contracting Inc.	40	0.58%	50	0.67%
Richmond Plastering Inc.	40	0.58%	50	0.67%
CVS / Pharmacy #9589	29	0.42%		
Cypress Garden Villas			70	0.93%
Patchman Plastering Inc.			45	0.60%
Jose Villaflor			35	0.43%
99 Cents Store			25	0.33%
Jack in the box			29	0.39%

Source: City of Hawaiian Gardens Community Development Department

CITY OF HAWAIIAN GARDENS

FULL-TIME AND PART-TIME CITY EMPLOYEES

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	19	19	18	15	16	16	11	11	11	11
Public Safety	6	6	6	6	6	6	7	3	3	3
Public Works	11	11	6	8	8	8	8	8	8	8
Culture and Recreation	30	30	36	35	36	36	40	42	42	42
Highways and Streets	6	6	6	6	6	6	6	6	6	6
Urban Development	9	9	7	9	9	9	8	8	8	8
	<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>	<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 Nine Fiscal Years

Function	Fiscal Year Ended June 30,								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:									
Physical arrests	527	486	686	584	706	542	596	491	366
Parking violations	2,028	258	2,885	2,647	1,918	1,783	2,151	1,820	1,715
Traffic violations	1,087	1,750	1,837	1,791	2,304	1,824	1,672	1,195	1,142
Highways and Streets:									
Street resurfacing (miles)	1	2	1	1	1	-	1	1	1
Potholes repaired	78	89	72	86	72	62	2	-	5
Human Services:									
Senior Center Programs:									
Classes and activities	190	191	195	193	190	200	132	144	140
Number of Participants	32,396	34,206	38,200	38,107	36,000	36,500	53,640	53,984	54,178
Excursions	27	32	35	34	38	30	24	32	30
Number of Participants	969	1,214	1,400	1,375	1,500	1,000	960	1,270	1,260
Special events	21	21	21	20	19	19	19	22	25
Number of Participants	1,917	2,234	2,910	3,022	3,200	4,000	12,757	2,707	3,075
Transportation:									
Number of passengers	28,148	31,027	31,356	31,004	16,390	20,000	21,886	21,886	21,886
Mileage	75,570	76,083	77,770	76,289	63,320	68,000	62,504	62,504	62,504
Recreation:									
Classes and activities	180	178	182	186	201	211	263	279	205
Number of participants	78,016	77,094	79,565	80,434	85,000	87,000	180,539	198,330	142,172
Special events	21	21	22	22	24	28	26	28	29
Number of participants	11,005	11,430	15,010	14,699	27,000	29,000	19,870	20,280	22,000
Number of facility rentals	26	18	23	21	19	22	20	21	25

Notes:

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

CITY OF HAWAIIAN GARDENS
CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Vehicles	3	3	3	3	3	3	3	3	3	4
Public Safety:										
Vehicles	3	3	3	3	3	3	3	1	1	1
Public Works:										
Vehicles	20	21	20	23	23	23	23	20	20	20
Highways and Streets:										
Streets (miles)	23	23	23	23	23	23	23	23	23	23
Traffic signals	17	17	17	17	17	17	17	17	17	17
Culture and Recreation:										
Vehicles	2	1	1	1	1	1	1	1	0	0
Parks acreage	13	13	13	13	13	13	13	13	13	13
Parks acreage	3	3	3	3	3	3	3	3	3	3
Swimming pools	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Health and Welfare:										
Vehicles	4	6	6	5	5	5	7	7	6	7

Source: City of Hawaiian Gardens - various departments