

**CITY OF HAWAIIAN GARDENS, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Prepared By:  
Finance Department

Linda Hollinsworth  
Finance Director/Treasurer



CITY OF HAWAIIAN GARDENS

TABLE OF CONTENTS

June 30, 2016

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Transmittal Letter	i
List of Elected and Appointed Officials	v
Organization Chart	vi
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	26
Fiduciary Fund:	
Statement of Net Position	27
Statement of Changes in Net Position	28
Notes to Basic Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION:	77
Schedule of Proportionate Share of the Net Pension Liability - Miscellaneous Plan	79
Schedule of Contributions - Miscellaneous Plan	80
Schedule of Proportionate Share of the Net Pension Liability - Safety Plan	81
Schedule of Contributions - Safety Plan	82
Schedule of Funding Progress - Other Post-Employment Benefits Plan	83
Budgetary Comparison Schedules:	
General Fund	84
Community Development Block Grant Special Revenue Fund	85
Note to Required Supplementary Information	86

CITY OF HAWAIIAN GARDENS

TABLE OF CONTENTS  
(Continued)

June 30, 2016

	<u>Page Number</u>
SUPPLEMENTARY INFORMATION:	87
Other Governmental Funds:	89
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
State Gas Tax Special Revenue Fund	98
Transportation Development Act Special Revenue Fund	99
Air Quality Management District Special Revenue Fund	100
Proposition C Local Transit Assistance Special Revenue Fund	101
Proposition A Local Transit Assistance Special Revenue Fund	102
Measure R Local Transit Assistance Special Revenue Fund	103
Community Oriented Police Services Special Revenue Fund	104
Housing Authority Section 8 Special Revenue Fund	105
Lighting and Landscaping Special Revenue Fund	106
Traffic Safety Special Revenue Fund	107
STATISTICAL SECTION (UNAUDITED):	
Description of Statistical Section Contents	109
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	110
Changes in Net Position - Last Ten Fiscal Years	112
Fund Balances of Governmental Funds - Last Ten Fiscal Years	114
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	116
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	118
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	120
Principal Property Taxpayers - Current Year and Nine Years Ago	122
Property Tax Levies and Collections - Last Ten Fiscal Years	123
License Fee (Casino) and Collections - Last Ten Fiscal Years	124

CITY OF HAWAIIAN GARDENS

TABLE OF CONTENTS  
(Continued)

June 30, 2016

Page  
Number

STATISTICAL SECTION (UNAUDITED) (CONTINUED):

Debt Capacity:

Ratio of Outstanding Debt by Type and Ratio of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	125
Direct and Overlapping Bonded Debt Schedule	126
Legal Debt Margin Information - Last Ten Fiscal Years	127

Demographic and Economic Information:

Demographic and Economic Statistics - Last Ten Calendar Years	128
Principal Employers - Current Year and Seven Years Ago	129

Operating Information:

Full-Time and Part-Time City Employees - Last Ten Fiscal Years	130
Operating Indicators by Function - Last Ten Fiscal Years	131
Capital Asset Statistics by Function - Last Ten Fiscal Years	132

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## **INTRODUCTORY SECTION**

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“Our Youth - Our Future”

# CITY OF HAWAIIAN GARDENS

March 31, 2017

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 report of the City of Hawaiian Gardens (the City) for the fiscal year ended June 30, 2016. This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by the firm of White Nelson Diehl Evans LLP, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, 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 unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2016, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **Profile of Hawaiian Gardens**

The City, incorporated in 1964, is located in the southeastern corner of Los Angeles County. The City currently occupies a land area of nine tenths of a square mile and serves a population of 14,926. The City operated under the Council-Manager/Administrator form of government from 1964 until 2012 when 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 and cultural events. The City is financially accountable for a housing authority and a public financing authority, each of which is reported within the City's financial statements as blended component units. Additionally, the Successor Agency to the Redevelopment Agency was created in Fiscal Year 2011-2012, and its activity is reported in a fiduciary private-purpose trust fund within the City's financial statements. The City is not financially responsible for the Successor Agency to the Redevelopment Agency. Information regarding these legally separate entities can be found in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager during the month of March. The City Manager uses these requests as the starting point for developing a preliminary budget. The City Manager then presents this proposed budget to the City Council for review during the month of May. The City Council holds public hearings on the preliminary budget and approves a final Adopted Budget by no later than June 30, the close of the City's fiscal year. The Adopted Budget is prepared by fund, function (e.g. public works), and department (e.g. parks and fields). Transfers of appropriations between funds require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. Formal budgetary integration is not employed for 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, has faced declining revenues due to the dissolution of redevelopment agencies, cutbacks in CDBG programs, and declining consumer purchases. In the past couple of years, the revenues from the City's major revenue source, the license fee of the Hawaiian Gardens Casino, has begun increasing, and sales and property taxes have also shown modest increases. The casino license fee increased by \$1.1 million over the prior year as a result of a better economy and the recent expansion of the facility. Following is a summary which shows each month's license fee revenue compared to the prior year.

**Hawaiian Gardens Casino License Fee Revenue**

<u>Month</u>	<u>FY 2015-16</u>	<u>FY 2014-15</u>	<u>% Change</u>
July	\$1,006,751	\$901,055	11.73%
August	1,000,899	947,481	5.64%
September	953,272	872,288	9.28%
October	1,040,380	924,879	12.49%
November	990,485	904,087	9.56%
December	1,029,424	953,961	7.91%
January	1,095,893	975,755	12.31%
February	1,011,004	910,259	11.07%
March	1,022,795	996,301	2.66%
April	1,102,057	982,485	12.17%
May	1,111,367	1,031,467	7.75%
June	1,092,524	960,894	13.70%
Total	<u>\$12,456,851</u>	<u>\$11,360,912</u>	<u>9.65%</u>

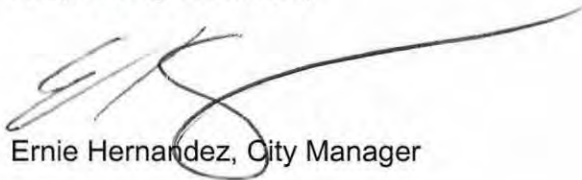
**Long-term Financial Planning.** In FY 2012-13, the City adopted a fiscal policy which provided for the commitment of the General Fund's fund balance for specific contingencies. By Council resolution, the City has committed \$15,750,000 for contingencies including damages caused by a major earthquake, a 25 percent loss of casino revenues, future equipment replacement, major repairs of buildings due to casualty losses, and litigation losses of \$500,000 or more. This commitment is fully funded within the general fund.

For FY 2015-16, general fund revenues exceeded the budget due to the increased casino license revenues. In addition, general fund expenditures were less than budgeted. These combined budget variances provided an increase to the fund balance. Revenues for FY 2016-17 are expected to remain stable. Expenditures will continue to be monitored, and capital projects will be funded by state, county, or federal grants where possible. The City's long-term economic outlook should be sustained through careful planning, and the City will continue to work hard to preserve its resources and to provide a high level of service to its residents.

**Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is also given to the Mayor and members of the City Council for their responsible manner in conducting the operations of the City.

Respectfully submitted,



Ernie Hernandez, City Manager

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CITY OF HAWAIIAN GARDENS  
List of Elected and Appointed Officials  
Fiscal Year Ended June 30, 2016

Elected Officials

Mayor  
Mayor Pro Tem  
Councilmember  
Councilmember  
Councilmember

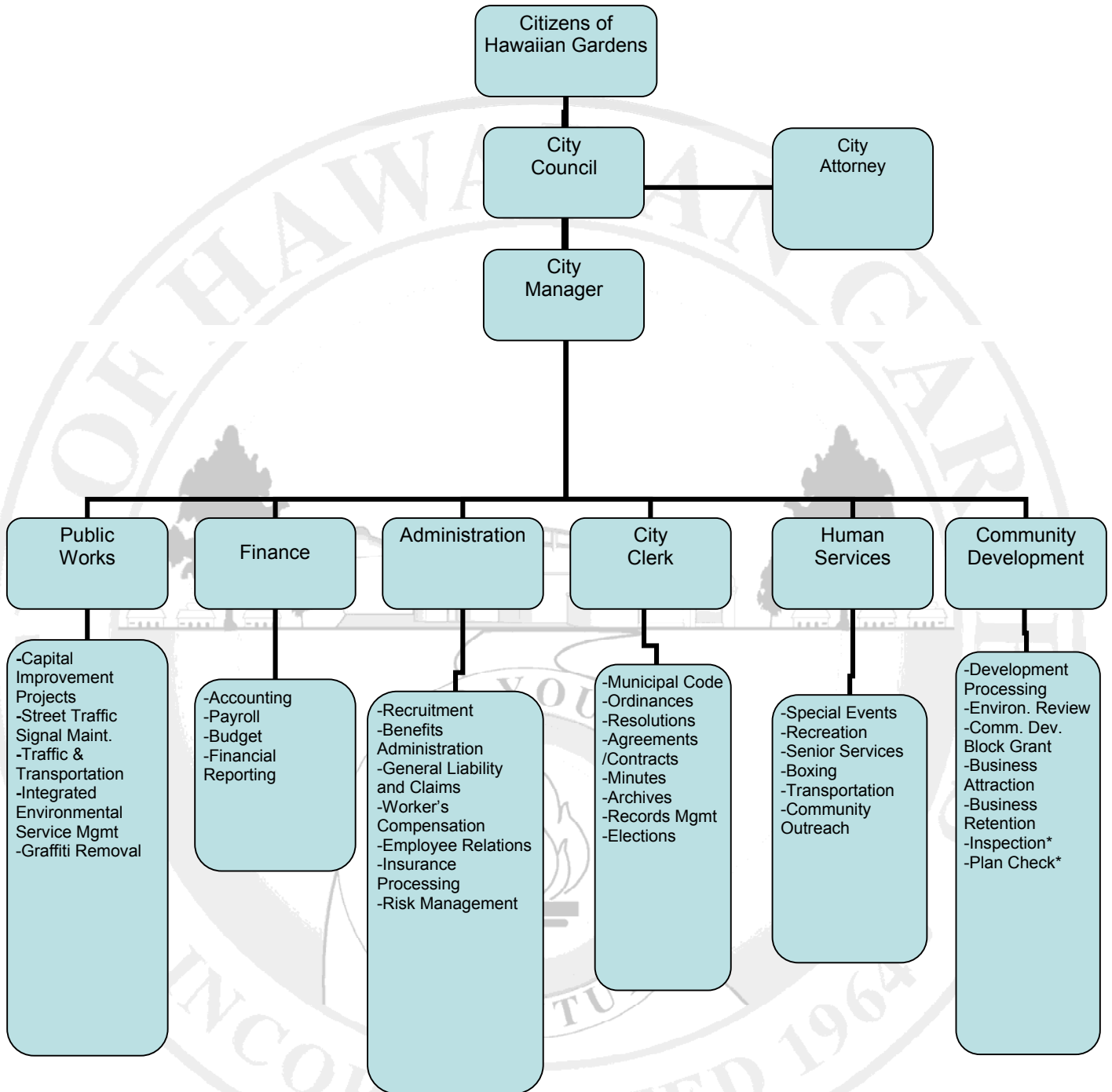
Barry Bruce  
Reynaldo Rodriguez  
Myra Maravilla  
Mariana Rios  
Hank Trimble

Appointed Officials

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

Vacant  
Arnold Alvarez-Glasman  
Sue Underwood  
Joseph Colombo  
Linda Hollinsworth  
Vacant  
Steve J. Gomez  
Joe Vasquez

City of Hawaiian Gardens  
 Organization Chart  
 June 30, 2016



\*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, 2016, 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 14, to the financial statements, a prior period adjustment was made that resulted in a decrease in previously reported net position of the governmental activities and an increase in previously reported net position of the successor agency private-purpose trust fund. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of proportionate share of net pension liability - miscellaneous and safety plans, the schedules of contributions, the schedule of funding progress - other post-employment benefits plan and the budgetary comparison schedules for the General Fund and Community Development Block Grant Special Revenue Fund, identified as Required Supplementary Information (RSI) 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 RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *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 (supplementary information), 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 supplementary information is the responsibility of management and was 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 supplementary information is 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 March 31, 2017, 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.

*White Nelson Dick Evans LLP*

Irvine, California  
March 31, 2017

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**CITY OF HAWAIIAN GARDENS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016**

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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, 2016. We encourage readers to consider the information presented here in conjunction with the accompanying letter of transmittal, found at the front of this report, and with the basic financial statements which follow this section.

**FINANCIAL HIGHLIGHTS**

The comparisons in the discussion and analysis below are between FY 2014-15 and FY 2015-16. All increases and decreases are expressed relative to FY 2014-15 amounts.

Financial highlights of the City for the fiscal year ended June 30, 2016 are summarized below. Details related to these highlights are found in the remaining sections of this analysis.

**Citywide**

- Net position, the amount by which total assets and deferred outflows exceed total liabilities and deferred inflows, equals \$58.2 million. Of this amount, \$31.4 million is the investment in capital assets, \$5.1 million is restricted, and \$21.7 million is unrestricted. The unrestricted amount may be used to meet the City's ongoing obligations to citizens and creditors.
- Assets and deferred outflows totaled \$69.6 million and liabilities and deferred inflows totaled \$11.4 million.
- The City's net position increased by \$1.5 million as a result of revenues of \$20.2 million exceeding expenses of \$18.3 million and a \$0.4 million reduction of beginning net position due to a restatement of capital assets.

**Fund Level – Governmental Funds**

- Governmental funds for the City reported combined fund balances of \$32.9 million. Of this amount, \$2.7 million is nonspendable, \$5.1 million is restricted by external parties, \$15.7 million is committed by City Council action, and \$9.4 million is unassigned and available for future appropriation.
- General Fund expenditures totaled \$14.3 million, which represent 150.3% of the General Fund's unassigned fund balance of \$9.5 million.
- At June 30, 2016, the cash and investments of the General Fund are \$24.3 million, which represent 86.9% of the General Fund's total fund balance of \$28.0 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 the Successor Agency is considered to be a separate operating entity from the City. Refer to pages 27-28 for details about this fund.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and supplementary information in addition to the basic financial statements.

The basic financial statements include two types of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government and reports on the City's operations in more detail than the government-wide statements. The fund financial statements tell how *general government* services 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 notes to the basic financial statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include *all* assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows, and, liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information on how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused employee leaves).

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hawaiian Gardens, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money. The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash.

The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* are identified within reconciliations which immediately follow the governmental funds' financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the government-wide *Statement of Net Position* follows:

	<b>Governmental Activities</b>		
	<b>June 30, 2016</b>	<b>June 30, 2015*</b>	<b>Change</b>
Current and other assets	\$ 35,750,238	\$ 34,376,292	\$ 1,373,946
Capital assets, net of depreciation	31,386,223	32,759,981	(1,373,758)
<b>Total Assets</b>	<b>67,136,461</b>	<b>67,136,273</b>	<b>188</b>
Deferred amounts from pension	2,472,601	1,065,189	1,407,412
<b>Total Deferred Outflows of Resources</b>	<b>2,472,601</b>	<b>1,065,189</b>	<b>1,407,412</b>
Long-term debt outstanding	8,482,650	7,514,098	(968,552)
Other liabilities	1,952,990	2,447,065	494,075
<b>Total Liabilities</b>	<b>10,435,640</b>	<b>9,961,163</b>	<b>(474,477)</b>
Deferred amounts from pension	969,149	1,541,206	572,057
<b>Total Deferred Inflows of Resources</b>	<b>969,149</b>	<b>1,541,206</b>	<b>572,057</b>
Net investment in capital assets	31,386,223	32,759,981	(1,373,758)
Restricted	5,094,844	5,088,435	6,409
Unrestricted	21,723,206	18,850,677	2,872,529
<b>Total Net Position</b>	<b>\$ 58,204,273</b>	<b>\$ 56,699,093</b>	<b>\$ 1,505,180</b>

\*Information has not been restated for prior period adjustments (refer to Notes to Basic Financial Statements No. 14).

As noted earlier, the City's net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hawaiian Gardens, net position was \$58.2 million as of June 30, 2016 and \$56.7 million a year earlier at June 30, 2015, an increase in net position of \$1.5 million. This change in net position is comprised of the following:

- A restatement at July 1, 2015 to decrease net position by \$0.4 million as a result of returning capital assets to the Successor Agency in accordance with the long-range property management plan dated September 2014. Refer to Notes to Basic Financial Statements No. 14 for additional information on this restatement.
- A current year excess of revenues over expenses of \$1.9 million. This change will be analyzed in conjunction with the Statement of Activities.

The largest portion of the City's net position (\$31.4 million or 53.9%) reflects its investment in capital assets (e.g., land, building, infrastructure, equipment, etc.), net of any related debt. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The City's restricted net position totals \$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 \$21.7 million (37.3%) represents unrestricted net position; this category of net position may be used to meet the City's ongoing obligations to citizens and creditors.

Following is a summary of the government-wide *Statement of Activities*. This table illustrates the \$1.5 million increase in the City's net position, a result of the City's revenues of \$20.2 million exceeding expenses of \$18.3 million, and includes the \$0.4 restatement of net position.

Discussion regarding significant revenue and expense changes follows the table.

	<b>Governmental Activities</b>		
	<b>June 30, 2016</b>	<b>June 30, 2015*</b>	<b>Change</b>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 813,722	\$ 1,616,541	\$ (802,819)
Operating grants and contributions	3,087,071	3,298,207	(211,136)
General Revenues:			
Property taxes	1,607,190	1,740,562	(133,372)
Business license tax	13,022,716	11,919,789	1,102,927
Motor vehicle in lieu, unrestricted	5,869	6,525	(656)
Sales tax	986,776	844,475	142,301
Other taxes	417,742	437,166	(19,424)
Other general revenues	268,587	2,981,394	(2,712,807)
Total Revenues	<u>20,209,673</u>	<u>22,844,659</u>	<u>(2,634,986)</u>
<b>Expenses:</b>			
General government	4,599,086	5,045,850	(446,764)
Public safety	3,773,979	3,440,359	333,620
Public works	3,258,555	2,928,016	330,539
Highways and streets	1,400,432	1,389,596	10,836
Culture and recreation	3,396,255	3,383,131	13,124
Urban development	344,373	346,794	(2,421)
Health and welfare	1,531,033	1,371,582	159,451
Total Expenses	<u>18,303,713</u>	<u>17,905,328</u>	<u>398,385</u>
Increase in net position	<u>1,905,960</u>	<u>4,939,331</u>	<u>(3,033,371)</u>
<b>Net position at beginning of year</b>	<u>56,699,093</u>	<u>51,759,762</u>	<u>4,939,331</u>
Restatement for Successor Agency properties	(400,780)	-	(400,780)
<b>Net position at beginning of year, restated</b>	<u>56,298,313</u>	<u>51,759,762</u>	<u>4,538,551</u>
<b>Net position at end of year</b>	<u>\$ 58,204,273</u>	<u>\$ 56,699,093</u>	<u>\$ 1,505,180</u>

\*Information has not been restated for prior period adjustments (refer to Notes to Basic Financial Statements No. 14). Certain reclassifications have been made to the prior year's numbers to match the current year's presentation.

#### Governmental Activities

As explained below, City-wide revenues decreased by \$2.6 million (11.5%) to \$20.2 million mainly as a result of prior year one-time revenues which were not anticipated to continue in the current year:

- Public works charges for services decreased by \$800,000, mainly as a result of prior year one-time building permit fees related to the expansion of the Hawaiian Gardens Casino.
- Business license tax (the majority of which is from casino fees), increased by \$1.1 million; this increase is due to more casino business, a result of the general economy and the prior year expansion of the casino.
- Other general revenues decreased by \$2.7 million. In FY 2014-15, the City recorded one-time revenue of \$2.4 million for capital growth fees, mainly related to the expansion of the Hawaiian Gardens Casino.

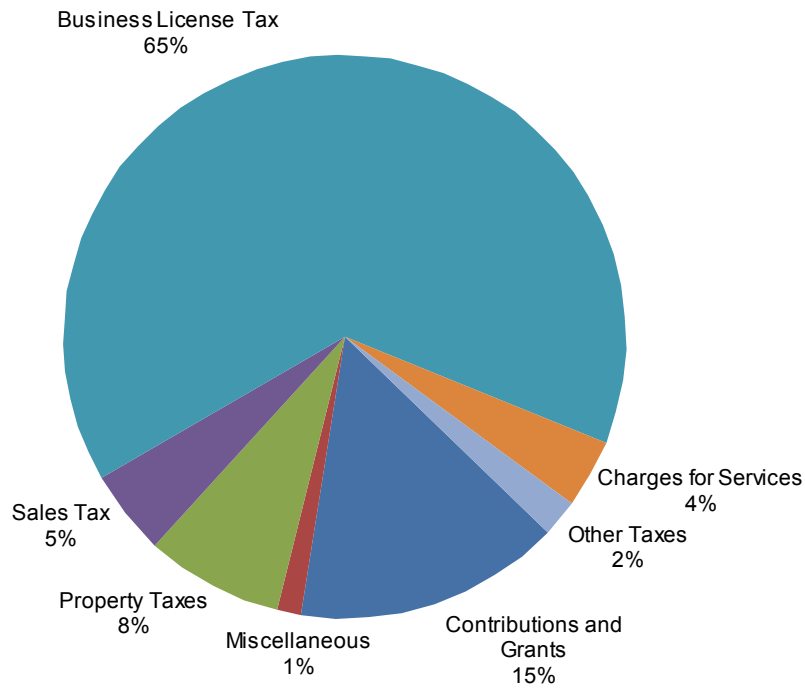


The total cost of all City programs and services during FY 2015-16 was \$18.3 million, which is a modest \$400,000 increase to the prior year's costs of \$17.9 million (a decrease of 2.2%).

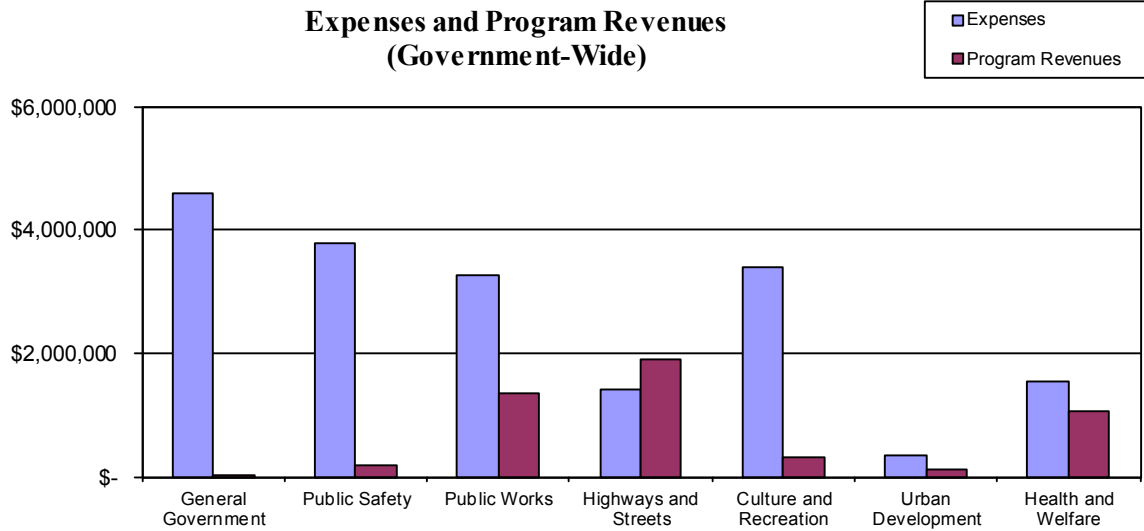
- General government costs decreased by \$450,000. The majority of this change is due to a reduction in costs of \$300,000 resulting from changes to the net pension and OPEB liabilities. An additional \$100,000 decrease comes from a reduction in the amount of Prop A grant monies purchased through the County's exchange program.
- Public safety costs increased by \$330,000 as a result of contract amendments for police coverage.
- Public works costs increased by \$330,000 resulting from increased project work such as street paving and various city beautification and improvement projects.
- Health and welfare costs increased \$160,000 as a result of increased spending related to the Housing and Urban Development Section 8 grant funds.

The following charts illustrate the City's overall revenues and expenses by source and program:

### Revenues by Source (Government-Wide)



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 (65%), followed by Contributions and Grants (15%), Property Taxes (8%), and Sales Tax (5%). Charges for services, other taxes, and miscellaneous revenues make up the remainder of the revenues.



General government is the largest expense function, accounting for 25.1% of the total. Public Safety is the second largest expense function (20.6% of the total) followed by Culture and Recreation (18.6% of the total) and Public Works (17.8% of the total). The proportionate share of these expense functions to total costs remains relatively consistent from year to year with variances mainly resulting from different amounts spent for capital projects.

**FINANCIAL ANALYSIS OF THE CITY'S 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.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32.9 million, representing an increase of \$2.7 million over the prior fiscal year. Nonspendable fund balances total \$2.7 million which is for the long-term receivable from the Successor Agency. Restricted fund balances total \$5.1 million and have legal restriction by external parties. City Council has committed \$15 million for specific contingencies (such as earthquake damage, loss of major revenue sources, major building repairs, and litigation losses) and \$750,000 for equipment replacement. The remaining fund balances are categorized as unassigned and may be used to meet the City's ongoing obligations to citizens and creditors.

## Major Governmental Funds

The **General Fund** is the main operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$28.0 million, nonspendable fund balance was \$2.7 million, committed fund balance was \$15.8 million, and unassigned fund balance was \$9.5 million.

As a measure of the general fund's liquidity, it is useful to compare the total fund balance to total fund expenditures, which comparison shows that fund balance is 196% of the general fund's expenditures for FY 2015-16. The general fund's liquidity is improving slightly as the FY 2014-15 results showed that the general fund's expenditures were 187% of the general fund's fund balance.

The general fund's fund balance increased by \$2.7 million in comparison to the \$4.1 million increase in the prior year. The net decrease of \$1.4 million is explained by the change in revenues and expenditures and transfers out to other funds.

- Revenues in FY 2015-16 are lower by \$300,000 than in the prior year. As a result of the recent casino expansion, casino license fees are higher by \$1.1 million. However, building permit fees are lower by \$800,000 because the prior year had one-time building permit fees related to the casino expansion process. In addition, the capital growth fees earned in FY 2015-16 related to the casino expansion total \$800,000, which is a decrease of \$400,000 from the prior year. Intergovernmental revenues are lower in FY 2015-16 by \$150,000 due to recording the current year's activity for youth work program grants in a special revenue fund rather than in the general fund.
- FY 2015-16 expenditures are higher than the prior year by \$800,000. Increases in general fund expenditures over the prior year total \$800,000 and are due to higher costs related to personnel issues, higher public safety costs due to increased contractual obligations for County sheriff services, and increased costs for community outreach education programs.
- The general fund transferred out \$400,000 to other funds in FY 2014-15 while the transfers out in FY 2015-16 totaled \$700,000.

The **Community Development Block Grant** fund has a zero fund balance, indicating that grant revenues equal grant expenditures. This fund accounts for the grants received from the federal government for community development projects and housing loans. Grant revenues of \$179,700 were received during the year, all of which were spent for community development programs and projects.

The **Housing Authority Successor Housing** fund has a fund balance of \$3,700,600. This fund had no activity during the year other than transactions related to principal and interest activity on the long-term advance to the Successor Agency Private-Purpose Trust Fund.

## Fiduciary Funds

The City presents one fiduciary fund which is the Successor Agency Private-Purpose Trust Fund. At June 30, 2016, the net position was a deficit \$35.2 million. Operating additions exceeded deductions, resulting in an increase to net position of \$1.7 million. The operating additions consist mainly of the Successor Agency's share of property taxes from the Redevelopment Property Tax Trust Fund. The operating deductions consist mainly of interest and related charges for debt, as well as contractual and administrative costs.

## GENERAL FUND BUDGET

During the fiscal year, there was a \$900,000 increase in budgeted revenues as a result of higher license fee revenues from the casino. There was also a \$600,000 increase in budgeted expenditures, mainly due to a mid-year opportunity to purchase grant funds through the Prop A exchange program as well as mid-year changes resulting from personnel issues. The fiscal year's actual activity resulted in a positive variance with the final budget of \$4.9 million.

The total General Fund revenue budget was \$17.1 million with actual receipts of \$17.7 million. The variance between actual revenues and the final revenue budget was \$0.6 million (3.5%). The majority of this variance is due to the City receiving more casino license revenue than was anticipated. Additional reasons for this variance are due to receiving more revenue in sales tax and intergovernmental revenues than were anticipated when the budget was prepared.

The General Fund's actual total expenditures of \$14.3 million were less than the final budgeted appropriations of \$15.9 million. The variance between actual total expenditures and the final appropriation was \$1.6 million (10.3%). The variance for the general fund budget expenditures is essentially due to effectively implementing cost-control measures throughout the City, costs for retiree health insurance were less than anticipated, and savings within the culture and recreation programs.

In addition, net transfers to other funds of \$3.4 million were budgeted, but only \$700,000 of transfers were needed due to a delay of capital projects or other programs not requiring the anticipated funding from the General Fund.

## CAPITAL ASSETS

Capital assets totaled \$31.4 million at fiscal year-end. During FY 2015-16, capital assets totaling \$471,000 were acquired and depreciation expense of \$1.4 million was recorded. The major capital asset acquisition was for street-related infrastructure in process and for vehicles acquired, including two 20-passenger buses for use in the City's human services programs. Additional information on the City's capital assets can be found in Note 5 of the Notes to Basic Financial Statements.

	<b>Governmental Activities</b>	
	<b><u>(net of accumulated depreciation)</u></b>	
	<b><u>June 30, 2016</u></b>	<b><u>June 30, 2015*</u></b>
Buildings and improvements	\$ 10,863,088	\$ 11,221,641
Furniture and equipment	216,535	237,121
Vehicles	581,817	471,279
Infrastructure – road system	5,660,976	6,532,534
Construction in progress	256,395	89,214
Rights-of-way	3,290,005	3,290,005
Land	10,517,407	10,918,187
Total	<u>\$ 31,386,223</u>	<u>\$ 32,759,981</u>

\*Information has not been restated for prior period adjustments (refer to Notes to Basic Financial Statements No. 14) which reduced the City's land assets by \$400,780.

## LONG-TERM DEBT

As of June 30, 2016, the City had total long-term liabilities outstanding of \$8.5 million, an increase of \$969,000. This change is due to an increase in the City's net pension liability of \$1.1 million offset by reductions for principal payments on notes payable and other liabilities.

	<u>Governmental Activities</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Compensated absences	\$ 561,279	\$ 589,724
Notes payable	148,857	191,748
CJPIA retrospective deposit	339,973	446,423
Net OPEB obligation	216,595	213,245
Net pension liability	7,215,946	6,072,958
Total	<u>\$ 8,482,650</u>	<u>\$ 7,514,098</u>

Additional information on the City's long-term liabilities can be found in Note 6 of the Notes to Basic Financial Statements. Additional information on the net pension liability can be found in Note 7 of the Notes to Basic Financial Statements. Additional information on the OPEB obligation can be found in Note 8 of the Notes to Basic Financial Statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Management must consider the possible impact that the State of California and national economies will have on the City's budget. The State adopted an on-time budget and the financial conditions for the State continue to improve. In general the economy is gradually recovering from the recession and key areas of growth within the City reflect this improvement. Net taxable property values continue to show modest growth for the 2016-17 tax rolls. Taxable sales are expected to maintain an upward trend for the next year. Casino revenues increased in FY 2015-16 and have continued to show small increases in the first few months of FY 2016-17. The City developed a two year budget for FY 2015-16 and FY 2016-17 and considered these revenue trends. Additional programs were added to serve the community in several areas including Public Safety and Human Services. These assumptions will be monitored regularly as part of the budget to actual review with adjustments made as needed to assure the City will have adequate reserves to meet the on-going operational requirements.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, City of Hawaiian Gardens, 21815 Pioneer Blvd., Hawaiian Gardens, California 90716.

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## **BASIC FINANCIAL STATEMENTS**

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CITY OF HAWAIIAN GARDENS

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
ASSETS:	
Cash and investments	\$ 25,755,071
Receivables:	
Accounts	1,159,620
Interest	22,065
Loans	1,237,730
Due from other governments	825,557
Advances to Successor Agency	6,750,195
Capital assets, not depreciated	14,063,807
Capital assets, depreciated, net	<u>17,322,416</u>
 TOTAL ASSETS	 <u>67,136,461</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts from pension	<u>2,472,601</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,472,601</u>
LIABILITIES:	
Accounts payable	1,110,171
Accrued liabilities	80,280
Due to other governments	762,539
Long-term liabilities:	
Due within one year	542,717
Due in more than one year	507,392
Net OPEB obligation	216,595
Net pension liability	<u>7,215,946</u>
TOTAL LIABILITIES	<u>10,435,640</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts from pension	<u>969,149</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>969,149</u>
NET POSITION:	
Investment in capital assets	31,386,223
Restricted for:	
Highways and streets	803,495
Culture and recreation	15,988
Air quality	142,391
Lighting and landscaping	414,213
Low and moderate income housing	3,718,757
Unrestricted	<u>21,723,206</u>
TOTAL NET POSITION	<u>\$ 58,204,273</u>

See accompanying notes to basic financial statements.

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CITY OF HAWAIIAN GARDENS

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2016

Functions/programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Change in Net Position
					Governmental Activities
<b>Governmental activities:</b>					
General government	\$ 4,599,086	\$ 17,495	\$ -	\$ -	\$ (4,581,591)
Public safety	3,773,979	60,932	114,774	-	(3,598,273)
Public works	3,258,555	515,685	904	-	(2,741,966)
Highways and streets	1,400,432	-	1,406,306	-	5,874
Culture and recreation	3,396,255	217,755	137,930	-	(3,040,570)
Urban development	344,373	-	141,530	-	(202,843)
Health and welfare	1,531,033	1,855	1,285,627	-	(243,551)
<b>Total governmental activities</b>	<b>\$ 18,303,713</b>	<b>\$ 813,722</b>	<b>\$ 3,087,071</b>	<b>\$ -</b>	<b>(14,402,920)</b>
General revenues:					
Taxes:					
Property taxes					1,607,190
Business license taxes					13,022,716
Sales taxes					986,776
Transient occupancy taxes					172,355
Franchise taxes					214,227
Other taxes					31,160
Motor vehicle in lieu, unrestricted					5,869
Investment income					90,265
Other revenues					178,322
<b>Total general revenues</b>					<b>16,308,880</b>
Change in net position					1,905,960
Net position at beginning of year, as restated					56,298,313
Net position at end of year					<b>\$ 58,204,273</b>

See accompanying notes to basic financial statements.

CITY OF HAWAIIAN GARDENS

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2016

		General Fund	Special Revenue Fund <u>Community Development Block Grant</u>
<b>ASSETS</b>			
Cash and investments		\$ 24,327,257	\$ -
Receivables:			
Accounts		1,157,058	1,412
Interest		22,065	-
Loans		475,190	762,540
Due from other governments		537,431	141,530
Due from other funds		234,470	-
Advances to Successor Agency		3,040,116	-
<b>TOTAL ASSETS</b>		<u><u>\$ 29,793,587</u></u>	<u><u>\$ 905,482</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable		\$ 1,025,170	\$ 13,652
Accrued liabilities		66,013	545
Due to other funds		-	128,746
Due to other governments		-	762,539
<b>TOTAL LIABILITIES</b>		<u><u>1,091,183</u></u>	<u><u>905,482</u></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenues		<u>725,576</u>	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<u><u>725,576</u></u>	<u><u>-</u></u>
<b>FUND BALANCES:</b>			
Nonspendable:			
Advances to Successor Agency		2,721,538	-
Restricted for:			
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		9,505,290	-
<b>TOTAL FUND BALANCES</b>		<u><u>27,976,828</u></u>	<u><u>-</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		<u><u>\$ 29,793,587</u></u>	<u><u>\$ 905,482</u></u>

See accompanying notes to basic financial statements.

Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Housing Authority Successor Housing		
\$ -	\$ 1,427,814	\$ 25,755,071
-	1,150	1,159,620
-	-	22,065
-	-	1,237,730
-	146,596	825,557
-	-	234,470
3,710,079	-	6,750,195
<u>\$ 3,710,079</u>	<u>\$ 1,575,560</u>	<u>\$ 35,984,708</u>
\$ -	\$ 71,349	\$ 1,110,171
-	13,722	80,280
-	105,724	234,470
-	-	762,539
<u>-</u>	<u>190,795</u>	<u>2,187,460</u>
<u>9,493</u>	<u>104,215</u>	<u>839,284</u>
<u>9,493</u>	<u>104,215</u>	<u>839,284</u>
-	-	2,721,538
-	414,213	414,213
-	803,495	803,495
-	15,988	15,988
-	151,069	151,069
3,700,586	-	3,700,586
-	-	15,000,000
-	-	750,000
-	(104,215)	9,401,075
<u>3,700,586</u>	<u>1,280,550</u>	<u>32,957,964</u>
<u>\$ 3,710,079</u>	<u>\$ 1,575,560</u>	<u>\$ 35,984,708</u>

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CITY OF HAWAIIAN GARDENS

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

June 30, 2016

Fund balances - total governmental funds		\$ 32,957,964
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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:</p>		
Non-depreciable assets	\$ 14,063,807	
Depreciable assets, net of \$27,182,525 accumulated depreciation	<u>17,322,416</u>	31,386,223
The net OPEB obligation is not an due and payable in the current period and therefore, is not reported in the governmental funds.		(216,595)
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.		(1,050,109)
<p>Pension related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:</p>		
Deferred outflows of resources	2,472,601	
Deferred inflows of resources	(969,149)	
Pension liability	<u>(7,215,946)</u>	(5,712,494)
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>839,284</u>
Net position of governmental activities		<u><u>\$ 58,204,273</u></u>

See accompanying 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, 2016

	General Fund	Special Revenue Fund <u>Community Development Block Grant</u>
<b>REVENUES:</b>		
Taxes	\$ 2,768,210	\$ -
Licenses and permits	13,439,303	-
Intergovernmental	222,787	179,685
Charges for services	291,695	-
Fines and penalties	17,203	-
Rental income	75,415	-
Investment income	72,738	-
Other revenues	841,002	-
<b>TOTAL REVENUES</b>	<u>17,728,353</u>	<u>179,685</u>
<b>EXPENDITURES:</b>		
Current:		
General government	5,278,177	-
Public safety	3,549,967	-
Public works	1,749,720	-
Highways and streets	214,034	-
Culture and recreation	3,023,268	-
Urban development	184,083	160,290
Health and welfare	-	-
Capital outlay	140,588	-
Debt service:		
Principal	149,341	-
<b>TOTAL EXPENDITURES</b>	<u>14,289,178</u>	<u>160,290</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,439,175</u>	<u>19,395</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	-	21,726
Transfers out	(721,496)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(721,496)</u>	<u>21,726</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,717,679	41,121
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<u>25,259,149</u>	<u>(41,121)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 27,976,828</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.



Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Housing Authority Successor Housing		
\$ -	\$ 310,373	\$ 3,078,583
-	-	13,439,303
-	2,794,781	3,197,253
-	1,260	292,955
-	41,506	58,709
-	-	75,415
-	4,451	77,189
-	370	841,372
-	3,152,741	21,060,779
25,500	-	5,303,677
-	222,932	3,772,899
-	262,074	2,011,794
-	1,186,398	1,400,432
-	99,610	3,122,878
-	-	344,373
-	1,440,245	1,440,245
-	655,425	796,013
-	-	149,341
25,500	3,866,684	18,341,652
(25,500)	(713,943)	2,719,127
-	777,428	799,154
-	(77,658)	(799,154)
-	699,770	-
(25,500)	(14,173)	2,719,127
3,726,086	1,294,723	30,238,837
\$ 3,700,586	\$ 1,280,550	\$ 32,957,964

CITY OF HAWAIIAN GARDENS

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

For the fiscal year ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 2,719,127
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Also, the disposition of capital assets (net book value) is deducted from the sale of capital assets. This is the amount by which depreciation expense exceeded capitalizable expenditures in the current period.	
Capital outlay	\$ 796,013
Amounts expensed for repairs and maintenance	(324,582)
Capitalizable expenditures	<u>471,431</u>
Depreciation expense	(1,395,910)
Loss on disposal of assets	<u>(48,499)</u>
	(972,978)
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.	
	(851,106)
Issuance of long-term liabilities provides current financial resources to government funds, while the repayment of principal of long-term liabilities consumes current financial resources in governmental funds. Neither transaction, however, has any affect on net position.	
Principal payments	149,341
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.	
	(3,350)
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources	
	836,481
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Change in compensated absences	<u>28,445</u>
Change in net position of governmental activities	<u>\$ 1,905,960</u>

See accompanying notes to basic financial statements.

CITY OF HAWAIIAN GARDENS  
STATEMENT OF NET POSITION  
FIDUCIARY FUND

June 30, 2016

	<u>Successor Agency Private-Purpose Trust Fund</u>
<b>ASSETS:</b>	
<b>CURRENT ASSETS:</b>	
Cash and investments	\$ 1,310,366
Restricted assets:	
Cash and investments with fiscal / other agents	1,794,772
<b>TOTAL CURRENT ASSETS</b>	<u>3,105,138</u>
<b>NONCURRENT ASSETS:</b>	
Capital assets:	
Nondepreciable	4,585,870
<b>TOTAL ASSETS</b>	<u>7,691,008</u>
<b>LIABILITIES:</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	13,501
Interest payable	147,900
Bonds payable, current portion	1,530,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,691,401</u>
<b>LONG-TERM LIABILITIES:</b>	
Advances payable to Hawaiian Gardens Housing Authority	3,710,079
Advances payable to City of Hawaiian Gardens	3,040,116
Bonds payable	34,405,000
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>41,155,195</u>
<b>TOTAL LIABILITIES</b>	<u>42,846,596</u>
<b>NET POSITION:</b>	
Held in trust for private purpose	<u>\$ (35,155,588)</u>

See accompanying notes to basic financial statements.

CITY OF HAWAIIAN GARDENS

STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUND

For the fiscal year ended June 30, 2016

	Successor Agency Private-Purpose Trust Fund
ADDITIONS:	
Taxes	\$ 3,627,677
Investment and rental income	3,506
TOTAL ADDITIONS	<u>3,631,183</u>
DEDUCTIONS:	
Contractual services	106,345
Interest and fiscal expenses	1,818,079
TOTAL DEDUCTIONS	<u>1,924,424</u>
CHANGE IN NET POSITION	1,706,759
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>(36,862,347)</u>
NET POSITION - END OF YEAR	<u><u>\$ (35,155,588)</u></u>

See accompanying notes to basic financial statements.

CITY OF HAWAIIAN GARDENS  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

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. The Housing Authority is operating a federal housing choice voucher program and has accepted the role of Housing Successor to the former Redevelopment Agency to oversee the use of assets restricted to low and moderate income housing activities. 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.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

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.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

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.

Fund 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, sales taxes, transient occupancy taxes, franchise taxes, licenses, grants 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 recognized as revenues in the period in which the underlying transaction 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.



CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

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. In the general fund, the principal portion of these long-term receivables is offset by nonspendable fund balance to indicate that they are not available spendable resources. In the other governmental funds, long-term receivables are offset by the fund balance classification that would be applicable to the ultimate use of the loan repayments when they occur.

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.

Housing Authority Successor Housing 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.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Description of Funds (Continued):

Additionally, the City reports the following fund types:

**Governmental Funds:**

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

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

**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:**

In fiscal year 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application.*" GASB Statement No. 72 requires the City to use valuation techniques, which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of GASB Statement No. 72.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

**Current Year Standards (Continued):**

GASB Statement No. 73, *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,”* was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016, and did not impact the City.

GASB Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,”* was required to be implemented in the current fiscal year, and did not impact the City.

GASB Statement No. 79, *“Certain External Investment Pools and Pool Participants,”* was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

GASB Statement No. 82, *“Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73,”* changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

**Pending Accounting Standards:**

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

- GASB 73 - *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,”* contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.
- GASB 74 - *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,”* effective for periods beginning after June 15, 2016.
- GASB 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,”* effective for periods beginning after June 15, 2017.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

**Pending Accounting Standards (Continued):**

- GASB 77 - "*Tax Abatement Disclosure*," effective for periods beginning after December 15, 2015.
- GASB 78 - "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*," effective for periods beginning after December 15, 2015.
- GASB 79 - "*Certain External Investment Pools and Pool Participants*," contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - "*Blending Requirements for Certain Component Units*," effective for periods beginning after June 15, 2016.
- GASB 81 - "*Irrevocable Split-Interest Agreements*," effective for periods beginning after December 15, 2016.
- GASB 82 - "*Pension Issues*," effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

E. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

- Deferred outflows related to pension plans for the changes in proportion and differences between employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans, which is 3.8 years.

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 a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from *unavailable revenues*, which arise only under the modified accrual basis of accounting, are only reported 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 deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.
- Deferred inflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.

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 financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Cash and Investments (Continued):

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

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, property 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 and having a useful life of three or more years, 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 value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of these assets or materially extend assets lives are not capitalized.

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

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

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

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Property Tax Calendar (Continued):

The property tax calendar:

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

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

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

M. Net Position:

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, 2016, 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 investment in capital assets" or "restricted".



CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Net Position (Continued):

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.

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.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

N. Fund Balances (Continued):

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

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.

O. Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. 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. 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, 2016, no budgets were adopted for the Housing Authority Successor Housing Special Revenue Fund, the SELACO WIB Special Revenue Fund, the California Recycle Special Revenue Fund and the City of Hawaiian Gardens Civic League Special Revenue Fund.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):

B. Expenditures in Excess of Appropriations:

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2016:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Special Revenue Fund:			
Community Development Block Grant	\$ 143,012	\$ 160,290	\$ (17,278)
Other Governmental Special Revenue Funds:			
State Gas Tax	306,322	410,928	(104,606)
Air Quality Management District	6,500	19,585	(13,085)
Proposition C Local Transit Assistance	296,101	298,541	(2,440)
Housing Authority Section 8	1,398,505	1,433,745	(35,240)

C. Accumulated Fund Deficits:

The Transportation Development Act Special Revenue Fund had a fund deficit of \$10,000 at June 30, 2016. Management expects to eliminate the deficit fund balance with future revenues. The deficit fund balance is equal to the unavailable revenue at June 30, 2016.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS:

**Cash and Investments:**

Cash and investments at June 30, 2016, 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	\$ 25,755,071	\$ 1,310,366	\$ 27,065,437
Restricted:			
Cash and investments with fiscal / other agents	<u>-</u>	<u>1,794,772</u>	<u>1,794,772</u>
Total cash and investments	<u>\$ 25,755,071</u>	<u>\$ 3,105,138</u>	<u>\$ 28,860,209</u>

Cash and investments at June 30, 2016, consist of the following:

Pooled cash and investments:

Cash on hand	\$ 2,579
Deposits with financial institutions	10,834,047
Investments	16,228,811
Investments with fiscal/other agents	<u>1,794,772</u>
Total cash and investments	<u>\$ 28,860,209</u>

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

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

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS (CONTINUED):

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

<u>Investment Types Authorized by State Law</u>	<u>* Maximum Maturity</u>	<u>* Maximum Percentage of Portfolio</u>	<u>* Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
United States Agency Securities	5 years	None	None
State of California Obligations	5 years	None	None
Local Agency Bonds	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Negotiable Certificates of Deposits	5 years	30%	None
Repurchase Agreements	1 year	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	None	None

\* - Based on state law requirements or investment policy requirements, whichever is more restrictive.

N/A - Not Applicable

**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 the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by Debt Agreements (Continued):**

The permitted investments related to the 2004 Tax Allocation Revenue Bonds and 2006 Tax Allocation Bonds of the Successor Agency 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			

**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 time 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 the bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Years)</u> <u>1 Year or Less</u>
Local Agency Investment Fund	\$ 16,228,811
Held by Bond Trustee:	
Money Market Mutual Funds	<u>1,794,772</u>
Total	<u>\$ 18,023,583</u>

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS (CONTINUED):

**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, 2016</u>	<u>Minimum Legal Rating</u>	<u>Ratings as of Year End</u>	
			<u>AAAm</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 16,228,811	N/A	\$ -	\$ 16,228,811
Held by Bond Trustee:				
Money Market Mutual Funds	<u>1,794,772</u>	A	<u>1,794,772</u>	<u>-</u>
Total	<u>\$ 18,023,583</u>		<u>\$ 1,794,772</u>	<u>\$ 16,228,811</u>

N/A - Not Applicable

**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, 2016.

**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.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS (CONTINUED):

**Custodial Credit Risk (Continued):**

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, 2016, 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.

**Fair Value Measurements:**

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The City’s investments in LAIF and money market mutual funds are not subject to the fair value hierarchy.

4. INTERFUND TRANSACTIONS:

The composition of interfund balances as of June 30, 2016, is as follows:

**Due To/From Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	CDBG Special Revenue Fund	\$ 128,746
	Other Governmental Funds	<u>105,724</u>
		<u>\$ 234,470</u>



CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

4. INTERFUND TRANSACTIONS (CONTINUED):

**Due To/From Other Funds (Continued):**

The amounts loaned from the General Fund are short-term loans to fund operations of the various funds.

**Interfund Transfers:**

<u>Transfer In to Fund</u>	<u>Transfer Out of Fund</u>	<u>Amount</u>
Community Development Block Grant Special Revenue Fund (1)	General Fund	\$ 21,726
Other Governmental Funds (2)	Other Governmental Funds	77,658
Other Governmental Funds (1)	General Fund	<u>699,770</u>
		<u>\$ 799,154</u>

(1) To provide resources to cover costs of services provided.

(2) To provide resources for capital projects not funded by the General Fund.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

5. CAPITAL ASSETS:

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance at July 1, 2015 <u>(as restated)</u>	<u>Additions</u>	Balance at <u>Deletions</u>	<u>June 30, 2016</u>
Capital assets, not being depreciated:				
Rights-of-way	\$ 3,290,005	\$ -	\$ -	\$ 3,290,005
Land	10,517,407	-	-	10,517,407
Construction-in-progress	<u>89,214</u>	<u>167,181</u>	-	<u>256,395</u>
Total capital assets, not being depreciated	<u>13,896,626</u>	<u>167,181</u>	-	<u>14,063,807</u>
Capital assets, being depreciated:				
Buildings and improvements	17,316,681	42,065	-	17,358,746
Furniture and equipment	685,734	26,811	-	712,545
Vehicles	952,468	203,774	(161,884)	994,358
Infrastructure - road system	<u>25,410,497</u>	<u>31,600</u>	<u>(2,805)</u>	<u>25,439,292</u>
Total capital assets, being depreciated	<u>44,365,380</u>	<u>304,250</u>	<u>(164,689)</u>	<u>44,504,941</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,095,040)	(400,618)	-	(6,495,658)
Furniture and equipment	(448,613)	(47,397)	-	(496,010)
Vehicles	(481,189)	(44,737)	113,385	(412,541)
Infrastructure - road system	<u>(18,877,963)</u>	<u>(903,158)</u>	<u>2,805</u>	<u>(19,778,316)</u>
Total accumulated depreciation	<u>(25,902,805)</u>	<u>(1,395,910)</u>	<u>116,190</u>	<u>(27,182,525)</u>
Total capital assets, being depreciated, net	<u>18,462,575</u>	<u>(1,091,660)</u>	<u>(48,499)</u>	<u>17,322,416</u>
Total governmental activities capital assets, net	<u>\$ 32,359,201</u>	<u>\$ (924,479)</u>	<u>\$ (48,499)</u>	<u>\$ 31,386,223</u>

Depreciation expense was charged to the following functions in the Statement of Activities for the year ended June 30, 2016:

General government	\$ 156,985
Public safety	1,080
Public works	922,179
Culture and recreation	273,377
Health and welfare	42,289
Total depreciation expense	<u>\$ 1,395,910</u>

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

6. LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Balance at			Balance at			Due Within	Due in
	July 1, 2015	Additions	Deletions	June 30, 2016	One	More Than	Year	One Year
Note payable -SCE (1)	\$ 160,636	\$ -	\$ (23,878)	\$ 136,758	\$ 26,049	\$ 110,709		
Note payable - SCE (2)	31,112	-	(19,013)	12,099	12,099	-		
Compensated absences	589,724	87,370	(115,815)	561,279	387,283	173,996		
CJPIA retro deposit payable (Note 9)	446,423	-	(106,450)	339,973	117,286	222,687		
Total	<u>\$ 1,227,895</u>	<u>\$ 87,370</u>	<u>\$ (265,156)</u>	<u>\$ 1,050,109</u>	<u>\$ 542,717</u>	<u>\$ 507,392</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.
- (3) The remaining repayment requirement to maturity for these notes payable is as follows:

Year Ending June 30,	Amount
2017	\$ 38,148
2018	26,049
2019	26,049
2020	26,049
2021	26,049
2022	6,513
	<u>\$ 148,857</u>

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

6. LONG-TERM LIABILITIES (CONTINUED):

**Compensated Absences:**

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

7. PENSION PLANS:

A. General Information about the Pension Plans:

**Plan Descriptions:**

All qualified permanent and probationary employees are eligible to participate in the City's separate Miscellaneous Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The City also participates in the CalPERS Inactive Agency Risk Pool, a cost-sharing multiple employer defined benefit pension plan, for safety employees of the City's former police department. Current employees are not eligible for this plan.

**Benefits Provided:**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-industrial disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

7. PENSION PLANS (CONTINUED):

A. General Information about the Pension Plans (Continued):

**Benefits Provided (Continued):**

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or After January 1, 2013</u>
Hire date		
Benefit formula	2.0% and 2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.00% to 2.70%	1.00% to 2.5%
Required employee contribution rates	8.00%	6.50%
Required employer contribution rates:		
Normal cost rate	11.992%	6.73%
Payment of unfunded liability	\$563,686	N/A
	<u>Safety - Inactive Plan</u>	
Benefit formula	2.0% @ 50	
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 65	
Monthly benefits, as a % of eligible compensation	2.00% to 2.70%	
Required employee contribution rates	0.00%	
Required employer contribution rates:		
Normal cost rate	0.00%	
Payment of unfunded liability	\$2,829	

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

7. PENSION PLANS (CONTINUED):

A. General Information about the Pension Plans (Continued):

**Contributions:**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 7,210,637
Safety - Inactive Plan	<u>5,309</u>
Total Net Pension Liability	<u>\$ 7,215,946</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

7. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The City's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2014	0.24738%	-0.00110%
Proportion - June 30, 2015	0.26283%	0.00013%
Change - Increase (Decrease)	0.01545%	0.00123%

For the year ended June 30, 2016, the City recognized pension expense of \$171,402. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,011,003	\$ -
Differences between actual and expected experience	68,232	-
Change in assumptions	-	(645,535)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,393,366	-
Net differences between projected and actual earnings on plan investments	-	(323,614)
Total	<u>\$ 2,472,601</u>	<u>\$ (969,149)</u>

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

7. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

\$1,011,003 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	\$ 64,783
2018	54,071
2019	(40,172)
2020	413,767
2021	-
Thereafter	-



CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

7. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

**Actuarial Assumptions:**

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	(4)
Projected Salary Increase	(1)	(1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.
- (4) The plan has no active members; therefore, there is no payroll growth.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

7. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

**Change of Assumptions:**

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

7. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

**Discount Rate (Continued):**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

7. PENSION PLANS (CONTINUED):

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:**

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 11,079,458	\$ 158,225
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 7,210,637	\$ 5,309
1% Increase	8.65%	8.65%
Net Pension Liability (Asset)	\$ 4,016,475	\$ (120,080)

**Pension Plans Fiduciary Net Position:**

Detailed information about each pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plans:

At June 30, 2016, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

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

**Plan Description:**

The City provides postemployment health care benefits through the CalPERS healthcare program (PEMHCA), a single-employer postemployment benefit plan, to eligible employees who retire directly from the City. The City pays the cost for lifetime retiree and dependent medical benefits (maximum amount equal to the PERS Choice LA non-medicare 2-Party premium). The City does not provide a retiree contribution for dental, vision, or life insurance benefits. In order to be eligible, the employee must have worked a minimum of five years with the City. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

The City has elected to join the *California Employers' Retiree Benefit Trust* (Trust), 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, 2016, the City paid \$338,673 in retiree health benefits which were reimbursed from the trust.

Membership of the plan consisted of the following at July 1, 2015, the date of the most recent actuarial valuation:

Retirees receiving benefits	23
Active plan members	<u>65</u>
Total	<u><u>88</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.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

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

**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. 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)	\$ 338,673
Interest adjustment on net OPEB obligation	15,695
Amortization adjustment to ARC	<u>(12,345)</u>
Annual OPEB cost	<u>342,023</u>
Contribution to Trust	338,673
Premium payments made by City	183,218
Less: Reimbursement from Trust	<u>(183,218)</u>
Actual contributions made	<u>338,673</u>
Increase in net OPEB obligation	3,350
Net OPEB Obligation - beginning of year	<u>213,245</u>
Net OPEB Obligation - end of year	<u>\$ 216,595</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, 2016, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/14	\$ 364,492	\$ -	0.0 %	\$ 218,983
06/30/15	361,078	366,816	101.6 %	213,245
06/30/16	342,023	338,673	99.0 %	216,595

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

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

**Funded Status and Funding Progress:**

As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$6,370,532, and the actuarial value of assets was \$3,839,797, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,530,735 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 60.3%. The covered payroll (annual payroll of active employees covered by the plan) was \$3,906,812, and the ratio of the UAAL to the covered payroll was 64.8%.

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, 2015
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percentage of payroll, open
Amortization Period:	30 years
Asset Valuation:	Market value
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%

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

9. RISK MANAGEMENT:

**Description of Self-Insurance Pool Pursuant to Agreement:**

The City of Hawaiian Gardens is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

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

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years 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. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

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 general government 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 from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.



CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

9. RISK MANAGEMENT (CONTINUED):

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

Liability (Continued)

For 2015-16 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer and (b) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million x/s \$5 million layer; however, it is fully covered under a separate policy and therefore not retained by the Authority.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claim for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and general government 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 from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2015-16 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits 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.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

9. RISK MANAGEMENT (CONTINUED):

**Purchased Insurance:**

Pollution Legal Liability Insurance

The City of Hawaiian Gardens participates in the pollution legal liability insurance program, which is available through the 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 Authority has a limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the 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 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 Authority. City of Hawaiian Gardens' property currently has all-risk property insurance protection in the amount of \$22,534,093. 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 Authority. City of Hawaiian Gardens' property currently has earthquake protection in the amount of \$16,751,711. 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 Authority. Premiums are paid annually and are not subject to retrospective adjustments.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

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 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 2015-2016.

**Retrospective Deposit Liabilities:**

As of June 30, 2016, based on the Authority's retrospective deposit computation, the City owes the Authority additional deposits of \$44,280 and \$295,693 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>
2017	\$ 15,352	\$ 295,693	\$ 311,045
2018	<u>28,928</u>	<u>-</u>	<u>28,928</u>
	<u>\$ 44,280</u>	<u>\$ 295,693</u>	<u>\$ 339,973</u>

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES:

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

**Capital Assets:**

The following is a summary of capital assets transactions for the year ended June 30, 2016:

	Balance at June 30, 2015 <u>(as restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 4,585,870	\$ -	\$ -	\$ 4,585,870

Land was restated as of the beginning of the year to correct the amount related to certain properties listed in the revised long-range property management plan dated September 2014 that were to be retained by the Successor Agency for future sale.

**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%. This advance was made pursuant to Disposition and Development Agreement 93-26 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, 2016 is \$161,493, net of allowance.

For the four years ended June 30, 2010, the City made annual advances to the former Redevelopment Agency to assist in funding the former Redevelopment Agency's operating budget. Interest on these advances accrues at 10%. In September 2016, a revised 1617 ROPS was sent to the Department of Finance asking them to recognize this advance as an enforceable obligation for reimbursement in future years. The required resolution, debt service schedule, and documentation were also sent. The Department of Finance did not approve the obligation at this time since it was submitted on a revised ROPS but will allow the Successor Agency to resubmit for consideration in the future. The amount outstanding at June 30, 2016 is \$2,878,623, 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 \$760,029, which represents the eventual required transfer to the Housing Authority Successor Housing Special Revenue Fund in accordance with AB 1484.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

**Advances Payable to Hawaiian Gardens Housing Authority:**

Prior to dissolution, the former Redevelopment Agency had borrowed low and moderate income housing set-aside funds to make payments to the State of California for the Supplemental Educational Revenue Augmentation Fund (SERAF), as required by AB26 4X. The loans of \$2,446,383 and \$503,667 were scheduled to be paid back by June 30, 2015 and 2016, respectively. In September 2011, a revised 16-17 ROPS was sent to the Department of Finance asking them to provide funding for the repayment of this loan. The required resolution, debt service schedule, and documentation were also sent. The Department of Finance approved the repayment schedule with the first disbursement of funds to occur in June 2017. The amount outstanding at June 30, 2016, is \$2,950,050.

Additionally, AB 1484 required that 20% of all eventual advance repayments are to be transferred to the Housing Authority Successor Housing 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 Housing Special Revenue Fund. The amount outstanding at June 30, 2016 is \$760,029.

**Long-Term Liabilities:**

Long-term liabilities activity for the year ended June 30, 2016 was as follows:

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016	Due Within One Year	Due in More Than One Year
2004 Tax Allocation						
Refunding Bonds	\$ 32,100,000	\$ -	\$ (1,095,000)	\$ 31,005,000	\$ 1,145,000	\$ 29,860,000
2006 Tax Allocation						
Refunding Bonds	<u>5,300,000</u>	<u>-</u>	<u>(370,000)</u>	<u>4,930,000</u>	<u>385,000</u>	<u>4,545,000</u>
Total	<u>\$ 37,400,000</u>	<u>\$ -</u>	<u>\$ (1,465,000)</u>	<u>\$ 35,935,000</u>	<u>\$ 1,530,000</u>	<u>\$ 34,405,000</u>

**2004 Tax Allocation Revenue Bonds:**

In May 2004, the Hawaiian Gardens Financing Authority (Authority) issued \$34,530,000 in Tax Allocation Revenue Bonds (Revenue Bonds). Proceeds of the sales of the Revenue Bonds were used to purchase the 2004 Redevelopment Agency Bonds Series A and B (Agency Bonds). Since the Authority is the sole owner of the former Redevelopment Agency bonds and the debt service requirements of both bond issues coincide with each other, the Authority's investment in the former Redevelopment Agency's bonds and the Authority's bonds payable have been eliminated for financial reporting purposes.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

**2004 Tax Allocation Revenue Bonds (Continued):**

The former Redevelopment Agency Bonds were issued to refund the outstanding 1993 Tax Allocation Refunding Bonds. The former 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. 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, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,305,000	1,336,475	2,641,475
2021	1,370,000	1,271,381	2,641,381
2022 - 2026	7,820,000	5,238,020	13,058,020
2027 - 2031	9,795,000	3,052,536	12,847,536
2032 - 2034	7,130,000	546,500	7,676,500
Totals	<u>\$ 31,005,000</u>	<u>\$ 15,799,164</u>	<u>\$ 46,804,164</u>

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

10. SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED):

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

**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, 2016.

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, 2016, bonds outstanding on the 2006 Tax Allocation Revenue Bonds were \$4,930,000. 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, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 385,000	\$ 236,394	\$ 621,394
2018	400,000	217,250	617,250
2019	425,000	196,625	621,625
2020	445,000	174,875	619,875
2021	465,000	152,125	617,125
2022-2026	2,810,000	372,750	3,182,750
Totals	<u>\$ 4,930,000</u>	<u>\$ 1,350,019</u>	<u>\$ 6,280,019</u>

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the Dissolution Act) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package which dissolved Redevelopment Agencies.

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

In September 2015, the Legislature passed and the Governor signed SB 107, which made additional changes to the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each 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 (CAC) 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 Housing 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.



CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

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

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.

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.

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 year.

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 were transferred to the City and Housing Authority. All properties transferred, except for two 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.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

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

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, and approved by the DOF on January 29, 2015.

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, 2016, the City has expended \$78,058 in connection with this agreement.

CITY OF HAWAIIAN GARDENS

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2016

13. LOAN RECEIVABLE:

In September 2014, the City entered into an agreement with the operators of the local casino to allow for the payment of the \$2,400,000 growth requirement capital fee, required by City Municipal Code Section 15.36.030 for new development, over a two-year period. The loan bears interest at a rate of 0.52%. The loan calls for an initial payment of \$350,000, twenty-two monthly payments of \$75,569, and a final lump-sum payment of \$400,000 in August 2016. At June 30, 2016, the outstanding balance of the loan receivable, which is reported in the General Fund, is \$475,190.

14. RESTATEMENT:

Net position at July 1, 2015, for the governmental activities and successor agency private-purpose trust fiduciary fund were restated as follows:

	<u>Governmental Activities</u>	<u>Successor Agency Private-Purpose Trust Fund</u>
Net position at July 1, 2015, as originally reported	\$ 56,699,093	\$ (37,263,127)
To return certain former redevelopment agency properties to the Successor Agency as a result of the revised long-range property management plan dated September 2014	<u>(400,780)</u>	<u>400,780</u>
Net position at July 1, 2015, as restated	<u>\$ 56,298,313</u>	<u>\$ (36,862,347)</u>

15. SUBSEQUENT EVENTS:

In September 2016, a revised 16-17 ROPS was sent to the Department of Finance asking them to recognize advances from the City to the Successor Agency for future funding and an advance from the Housing set-a-side Fund to the Successor Agency for current funding. The required resolutions, debt service schedules, and documentation were also sent. The Department of Finance approved the debt service schedule for the repayment of the Housing loan with initial funds to be provided in June 2017. The Department of Finance did not approve the debt service schedules for the advances from the City to the Successor Agency at this time, but will allow the Successor Agency to resubmit these loans for consideration in the future.

Other events occurring after June 30, 2016, have been evaluated for possible adjustments to the financial statements or disclosure as of March 31, 2017, which is the date these financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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CITY OF HAWAIIAN GARDENS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - MISCELLANEOUS PLAN

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.10505%	0.09826%
Plan's proportionate share of the net pension liability	\$ 7,210,637	\$ 6,114,052
Plan's covered - employee payroll	\$ 4,163,053	\$ 4,056,796
Plan's proportionate share of the net pension liability as percentage of its covered - employee payroll	173.21%	150.71%
Plan's proportionate share of the fiduciary net position as a percentage of the proportionate share of the Plan's total pension liability	78.40%	77.68%
Plan's proportionate share of aggregate employer contributions	\$ 733,242	\$ 575,354

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF CONTRIBUTIONS - MISCELLANEOUS PLAN

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 1,008,274	\$ 941,271
Contributions in relation to the actuarially determined contributions	<u>(1,008,274)</u>	<u>(941,271)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 3,897,864	\$ 4,163,053
Contributions as a percentage of covered - employee payroll	25.87%	22.61%

Notes to Schedule:

Valuation Date	June 30, 2013	June 30, 2012
----------------	---------------	---------------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value ***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2.0% and 2.7% @55), 52 years (2% @62)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.



CITY OF HAWAIIAN GARDENS

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - SAFETY PLAN

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability (asset)	0.00008%	-0.00066%
Plan's proportionate share of the net pension liability (asset)	\$ 5,309	\$ (41,094)
Plan's covered - employee payroll	\$ -	\$ -
Plan's proportionate share of the net pension liability as percentage of its covered - employee payroll	0.00%	0.00%
Plan's proportionate share of the fiduciary net position as a percentage of the proportionate share of the Plan's total pension liability	78.40%	103.68%
Plan's proportionate share of aggregate employer contributions	\$ 37,763	\$ 32,762

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF HAWAIIAN GARDENS  
 SCHEDULE OF CONTRIBUTIONS - SAFETY PLAN

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 2,729	\$ -
Contributions in relation to the actuarially determined contributions	<u>(2,729)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ -	\$ -
Contributions as a percentage of covered - employee payroll	0.00%	0.00%

Notes to Schedule:

Valuation Date	June 30, 2013	June 30, 2012
----------------	---------------	---------------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value ***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2.0% @ 50)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

\* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

\*\*\* - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

CITY OF HAWAIIAN GARDENS

SCHEDULE OF FUNDING PROGRESS -  
OTHER POST-EMPLOYMENT BENEFITS PLAN

For the year ended June 30, 2016

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)
07/01/11	\$ 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%
07/01/15	6,370,532	3,839,797	2,530,735	60.27%	3,906,812	64.78%

CITY OF HAWAIIAN GARDENS

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 2,631,724	\$ 2,623,724	\$ 2,768,210	\$ 144,486
Licenses and permits	12,118,700	13,048,907	13,439,303	390,396
Intergovernmental	95,000	95,000	222,787	127,787
Charges for services	233,264	251,264	291,695	40,431
Fines and penalties	70,000	20,000	17,203	(2,797)
Rental income	120,000	120,000	75,415	(44,585)
Investment income	40,000	40,000	72,738	32,738
Other revenues	936,000	936,000	841,002	(94,998)
<b>TOTAL REVENUES</b>	<b>16,244,688</b>	<b>17,134,895</b>	<b>17,728,353</b>	<b>593,458</b>
<b>EXPENDITURES:</b>				
Current:				
General government	5,551,116	6,162,116	5,278,177	883,939
Public safety	3,704,016	3,629,016	3,549,967	79,049
Public works	1,915,979	1,965,979	1,749,720	216,259
Highways and streets	309,000	299,000	214,034	84,966
Culture and recreation	3,507,714	3,512,714	3,023,268	489,446
Urban development	188,166	216,166	184,083	32,083
Capital outlay	152,500	152,500	140,588	11,912
Debt service:				
Principal	-	-	149,341	(149,341)
<b>TOTAL EXPENDITURES</b>	<b>15,328,491</b>	<b>15,937,491</b>	<b>14,289,178</b>	<b>1,648,313</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>916,197</b>	<b>1,197,404</b>	<b>3,439,175</b>	<b>2,241,771</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	205,000	205,000	-	(205,000)
Transfers out	(3,424,778)	(3,577,945)	(721,496)	2,856,449
<b>TOTAL OTHER FINANCING USES</b>	<b>(3,219,778)</b>	<b>(3,372,945)</b>	<b>(721,496)</b>	<b>2,651,449</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,303,581)</b>	<b>(2,175,541)</b>	<b>2,717,679</b>	<b>4,893,220</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>25,259,149</b>	<b>25,259,149</b>	<b>25,259,149</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 22,955,568</b>	<b>\$ 23,083,608</b>	<b>\$ 27,976,828</b>	<b>\$ 4,893,220</b>

See accompanying 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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 141,530	\$ 141,530	\$ 179,685	\$ 38,155
TOTAL REVENUES	141,530	141,530	179,685	38,155
EXPENDITURES:				
Current:				
Urban development	143,012	143,012	160,290	(17,278)
TOTAL EXPENDITURES	143,012	143,012	160,290	(17,278)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,482)	(1,482)	19,395	20,877
OTHER FINANCING SOURCES:				
Transfers in	-	3,167	21,726	18,559
TOTAL OTHER FINANCING SOURCES	-	3,167	21,726	18,559
NET CHANGE IN FUND BALANCE	(1,482)	1,685	41,121	39,436
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(41,121)	(41,121)	(41,121)	-
FUND BALANCE - END OF YEAR	\$ (42,603)	\$ (39,436)	\$ -	\$ 39,436

See accompanying note to required supplementary information.

CITY OF HAWAIIAN GARDENS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

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.

**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.

**Transportation Development Act Fund** - To account for financial transactions for the development and support of public transportation needs.

**SELACO WIB Fund** - To account for financial transactions related to the Earn and Learn Work Experience Program.

**California Recycle Fund** - To account for financial transactions in accordance with State of California Recycling program regulations.

**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.

### **CAPITAL PROJECTS FUND**

**Capital Projects Capital Projects Fund** - 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.

CITY OF HAWAIIAN GARDENS  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS

June 30, 2016

		Special Revenue Funds		
		State Gas Tax	Transportation Development Act	SELACO WIB
ASSETS				
Cash and investments		\$ 1,302	\$ -	\$ -
Receivables:				
Accounts		-	-	-
Due from other governments		24,885	10,000	94,215
	TOTAL ASSETS	\$ 26,187	\$ 10,000	\$ 94,215
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable		\$ 451	\$ -	\$ -
Accrued liabilities		851	-	409
Due to other funds		-	10,000	93,806
	TOTAL LIABILITIES	1,302	10,000	94,215
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues		-	10,000	94,215
	TOTAL DEFERRED INFLOWS OF RESOURCES	-	10,000	94,215
FUND BALANCES (DEFICITS):				
Restricted for:				
Public works		-	-	-
Highways and streets		24,885	-	-
Culture and recreation		-	-	-
Health and welfare		-	-	-
Unassigned		-	(10,000)	(94,215)
	TOTAL FUND BALANCES (DEFICITS)	24,885	(10,000)	(94,215)
	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 26,187	\$ 10,000	\$ 94,215

Special Revenue Funds (Continued)

California Recycle	Air Quality Management District	Prop C Local Transit Assistance	Prop A Local Transit Assistance	Measure R Local Transit Assistance	Community Oriented Police Services
\$ 5,012	\$ 137,415	\$ 12,283	\$ 393,689	\$ 380,067	\$ 8,333
-	-	-	-	-	-
-	4,976	-	-	-	-
<u>\$ 5,012</u>	<u>\$ 142,391</u>	<u>\$ 12,283</u>	<u>\$ 393,689</u>	<u>\$ 380,067</u>	<u>\$ 8,333</u>
\$ -	\$ -	\$ 2,904	\$ 2,944	\$ -	\$ 8,333
-	-	1,541	5,052	-	-
-	-	-	-	-	-
-	-	4,445	7,996	-	8,333
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,012	-	7,838	385,693	380,067	-
-	-	-	-	-	-
-	142,391	-	-	-	-
-	-	-	-	-	-
<u>5,012</u>	<u>142,391</u>	<u>7,838</u>	<u>385,693</u>	<u>380,067</u>	<u>-</u>
<u>\$ 5,012</u>	<u>\$ 142,391</u>	<u>\$ 12,283</u>	<u>\$ 393,689</u>	<u>\$ 380,067</u>	<u>\$ 8,333</u>

(Continued)

CITY OF HAWAIIAN GARDENS  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 (CONTINUED)

June 30, 2016

		Special Revenue Funds (Continued)		
		Housing Authority Section 8	Lighting and Landscaping	Traffic Safety
<b>ASSETS</b>				
Cash and investments		\$ 11,307	\$ 428,061	\$ -
Receivables:				
Accounts		-	-	1,150
Due from other governments		-	11,187	1,333
		-	11,187	1,333
<b>TOTAL ASSETS</b>		<b>\$ 11,307</b>	<b>\$ 439,248</b>	<b>\$ 2,483</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable		\$ 233	\$ 24,425	\$ -
Accrued liabilities		2,396	610	565
Due to other funds		-	-	1,918
		-	-	1,918
<b>TOTAL LIABILITIES</b>		<b>2,629</b>	<b>25,035</b>	<b>2,483</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenues		-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		-	-	-
<b>FUND BALANCES (DEFICITS):</b>				
Restricted for:				
Public works		-	414,213	-
Highways and streets		-	-	-
Culture and recreation		-	-	-
Health and welfare		8,678	-	-
Unassigned		-	-	-
		-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>		<b>8,678</b>	<b>414,213</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		<b>\$ 11,307</b>	<b>\$ 439,248</b>	<b>\$ 2,483</b>

Special Revenue Funds (Continued)	Capital Projects Fund	Total Other Governmental Funds
City of Hawaiian Gardens Civic League	Capital Projects	
\$ 15,988	\$ 34,357	\$ 1,427,814
-	-	1,150
-	-	146,596
<u>\$ 15,988</u>	<u>\$ 34,357</u>	<u>\$ 1,575,560</u>
\$ -	\$ 32,059	\$ 71,349
-	2,298	13,722
-	-	105,724
-	34,357	190,795
-	-	104,215
-	-	104,215
-	-	414,213
-	-	803,495
15,988	-	15,988
-	-	151,069
-	-	(104,215)
<u>15,988</u>	<u>-</u>	<u>1,280,550</u>
<u>\$ 15,988</u>	<u>\$ 34,357</u>	<u>\$ 1,575,560</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, 2016

	Special Revenue Funds		
	State Gas Tax	Transportation Development Act	SELACO WIB
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	303,767	-	509
Charges for services	-	-	-
Fines and penalties	-	-	-
Investment income	27	-	-
Other revenues	-	-	-
TOTAL REVENUES	<u>303,794</u>	<u>-</u>	<u>509</u>
EXPENDITURES:			
Current:			
Public safety	-	-	-
Public works	-	-	-
Highways and streets	410,928	-	-
Culture and recreation	-	-	97,589
Health and welfare	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>410,928</u>	<u>-</u>	<u>97,589</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(107,134)</u>	<u>-</u>	<u>(97,080)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	44,740	-	2,865
Transfers out	-	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>44,740</u>	<u>(10,000)</u>	<u>2,865</u>
NET CHANGE IN FUND BALANCES	(62,394)	(10,000)	(94,215)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>87,279</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 24,885</u>	<u>\$ (10,000)</u>	<u>\$ (94,215)</u>

Special Revenue Funds (Continued)

California Recycle	Air Quality Management District	Prop C Local Transit Assistance	Prop A Local Transit Assistance	Measure R Local Transit Assistance	Community Oriented Police Services
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,000	18,397	217,646	690,937	162,428	114,618
-	-	-	-	-	-
-	-	-	-	-	-
12	426	184	1,509	991	156
-	-	-	370	-	-
<u>5,012</u>	<u>18,823</u>	<u>217,830</u>	<u>692,816</u>	<u>163,419</u>	<u>114,774</u>
-	-	-	-	-	135,606
-	-	-	-	-	-
-	-	212,559	562,911	-	-
-	-	-	-	-	-
-	6,500	-	-	-	-
-	13,085	85,982	85,982	-	-
-	<u>19,585</u>	<u>298,541</u>	<u>648,893</u>	<u>-</u>	<u>135,606</u>
<u>5,012</u>	<u>(762)</u>	<u>(80,711)</u>	<u>43,923</u>	<u>163,419</u>	<u>(20,832)</u>
-	-	-	-	-	-
-	-	-	-	(67,658)	-
-	-	-	-	(67,658)	-
5,012	(762)	(80,711)	43,923	95,761	(20,832)
-	143,153	88,549	341,770	284,306	20,832
<u>\$ 5,012</u>	<u>\$ 142,391</u>	<u>\$ 7,838</u>	<u>\$ 385,693</u>	<u>\$ 380,067</u>	<u>\$ -</u>

(Continued)

CITY OF HAWAIIAN GARDENS

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

For the fiscal year ended June 30, 2016

	Special Revenue Funds (Continued)		
	Housing Authority Section 8	Lighting and Landscaping	Traffic Safety
REVENUES:			
Taxes	\$ -	\$ 310,373	\$ -
Intergovernmental	1,280,575	904	-
Charges for services	-	-	-
Fines and penalties	-	-	41,506
Investment income	40	1,106	-
Other revenues	-	-	-
<b>TOTAL REVENUES</b>	<b>1,280,615</b>	<b>312,383</b>	<b>41,506</b>
EXPENDITURES:			
Current:			
Public safety	-	-	87,326
Public works	-	262,074	-
Highways and streets	-	-	-
Culture and recreation	-	-	-
Health and welfare	1,433,745	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,433,745</b>	<b>262,074</b>	<b>87,326</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(153,130)</b>	<b>50,309</b>	<b>(45,820)</b>
OTHER FINANCING SOURCES (USES):			
Transfers in	152,210	-	107,237
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>152,210</b>	<b>-</b>	<b>107,237</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(920)</b>	<b>50,309</b>	<b>61,417</b>
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	9,598	363,904	(61,417)
FUND BALANCES (DEFICITS) - END OF YEAR	<b>\$ 8,678</b>	<b>\$ 414,213</b>	<b>\$ -</b>



Special Revenue Funds (Continued)	Capital Projects Fund	Total Other Governmental Funds
City of Hawaiian Gardens Civic League	Capital Projects	
\$ -	\$ -	\$ 310,373
-	-	2,794,781
1,260	-	1,260
-	-	41,506
-	-	4,451
-	-	370
<u>1,260</u>	<u>-</u>	<u>3,152,741</u>
-	-	222,932
-	-	262,074
-	-	1,186,398
2,021	-	99,610
-	-	1,440,245
-	470,376	655,425
<u>2,021</u>	<u>470,376</u>	<u>3,866,684</u>
<u>(761)</u>	<u>(470,376)</u>	<u>(713,943)</u>
-	470,376	777,428
-	-	(77,658)
<u>-</u>	<u>470,376</u>	<u>699,770</u>
(761)	-	(14,173)
<u>16,749</u>	<u>-</u>	<u>1,294,723</u>
<u>\$ 15,988</u>	<u>\$ -</u>	<u>\$ 1,280,550</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 343,220	\$ 343,220	\$ 303,767	\$ (39,453)
Investment income	-	-	27	27
TOTAL REVENUES	343,220	343,220	303,794	(39,426)
EXPENDITURES:				
Current:				
Highways and streets	306,322	306,322	410,928	(104,606)
TOTAL EXPENDITURES	306,322	306,322	410,928	(104,606)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	36,898	36,898	(107,134)	(144,032)
OTHER FINANCING SOURCES:				
Transfers in	-	150,000	44,740	(105,260)
TOTAL OTHER FINANCING SOURCES	-	150,000	44,740	(105,260)
NET CHANGE IN FUND BALANCE	36,898	186,898	(62,394)	(249,292)
FUND BALANCE - BEGINNING OF YEAR	87,279	87,279	87,279	-
FUND BALANCE - END OF YEAR	\$ 124,177	\$ 274,177	\$ 24,885	\$ (249,292)

CITY OF HAWAIIAN GARDENS

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

TRANSPORTATION DEVELOPMENT ACT SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 9,226	\$ 9,226	\$ -	\$ (9,226)
TOTAL REVENUES	9,226	9,226	-	(9,226)
EXPENDITURES	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,226	9,226	-	(9,226)
OTHER FINANCING USES:				
Transfers out	(10,000)	(10,000)	(10,000)	-
TOTAL OTHER FINANCING USES	(10,000)	(10,000)	(10,000)	-
NET CHANGE IN FUND BALANCE	(774)	(774)	(10,000)	(9,226)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (774)	\$ (774)	\$ (10,000)	\$ (9,226)

CITY OF HAWAIIAN GARDENS

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

AIR QUALITY MANAGEMENT DISTRICT SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 18,500	\$ 18,500	\$ 18,397	\$ (103)
Investment income	1,000	1,000	426	(574)
TOTAL REVENUES	19,500	19,500	18,823	(677)
EXPENDITURES:				
Current:				
Health and welfare	6,500	6,500	6,500	-
Capital outlay	-	-	13,085	(13,085)
TOTAL EXPENDITURES	6,500	6,500	19,585	(13,085)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,000	13,000	(762)	(13,762)
FUND BALANCE - BEGINNING OF YEAR	143,153	143,153	143,153	-
FUND BALANCE - END OF YEAR	\$ 156,153	\$ 156,153	\$ 142,391	\$ (13,762)

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 216,527	\$ 216,527	\$ 217,646	\$ 1,119
Investment income	-	-	184	184
TOTAL REVENUES	216,527	216,527	217,830	1,303
EXPENDITURES:				
Current:				
Highways and streets	206,101	206,101	212,559	(6,458)
Capital outlay	90,000	90,000	85,982	4,018
TOTAL EXPENDITURES	296,101	296,101	298,541	(2,440)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(79,574)	(79,574)	(80,711)	(1,137)
FUND BALANCE - BEGINNING OF YEAR	88,549	88,549	88,549	-
FUND BALANCE - END OF YEAR	\$ 8,975	\$ 8,975	\$ 7,838	\$ (1,137)

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 341,041	\$ 691,041	\$ 690,937	\$ (104)
Investment income	25	25	1,509	1,484
Other revenues	1,000	1,000	370	(630)
TOTAL REVENUES	342,066	692,066	692,816	750
EXPENDITURES:				
Current:				
Highways and streets	573,664	573,664	562,911	10,753
Capital outlay	90,000	90,000	85,982	4,018
TOTAL EXPENDITURES	663,664	663,664	648,893	14,771
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(321,598)	28,402	43,923	15,521
FUND BALANCE - BEGINNING OF YEAR	341,770	341,770	341,770	-
FUND BALANCE - END OF YEAR	\$ 20,172	\$ 370,172	\$ 385,693	\$ 15,521

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 162,397	\$ 162,397	\$ 162,428	\$ 31
Investment income	-	-	991	991
TOTAL REVENUES	<u>162,397</u>	<u>162,397</u>	<u>163,419</u>	<u>1,022</u>
EXPENDITURES	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>162,397</u>	<u>162,397</u>	<u>163,419</u>	<u>1,022</u>
OTHER FINANCING USES:				
Transfers out	<u>(221,000)</u>	<u>(221,000)</u>	<u>(67,658)</u>	<u>153,342</u>
TOTAL OTHER FINANCING USES	<u>(221,000)</u>	<u>(221,000)</u>	<u>(67,658)</u>	<u>153,342</u>
NET CHANGE IN FUND BALANCE	<u>(58,603)</u>	<u>(58,603)</u>	<u>95,761</u>	<u>154,364</u>
FUND BALANCE - BEGINNING OF YEAR	<u>284,306</u>	<u>284,306</u>	<u>284,306</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 225,703</u></u>	<u><u>\$ 225,703</u></u>	<u><u>\$ 380,067</u></u>	<u><u>\$ 154,364</u></u>

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 252,562	\$ 252,562	\$ 114,618	\$ (137,944)
Investment income	-	-	156	156
TOTAL REVENUES	<u>252,562</u>	<u>252,562</u>	<u>114,774</u>	<u>(137,788)</u>
EXPENDITURES:				
Current:				
Public safety	<u>252,000</u>	<u>252,000</u>	<u>135,606</u>	<u>116,394</u>
TOTAL EXPENDITURES	<u>252,000</u>	<u>252,000</u>	<u>135,606</u>	<u>116,394</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	562	562	(20,832)	(21,394)
FUND BALANCE - BEGINNING OF YEAR	<u>20,832</u>	<u>20,832</u>	<u>20,832</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 21,394</u>	<u>\$ 21,394</u>	<u>\$ -</u>	<u>\$ (21,394)</u>



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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,210,405	\$ 1,210,405	\$ 1,280,575	\$ 70,170
Investment income	50	50	40	(10)
TOTAL REVENUES	1,210,455	1,210,455	1,280,615	70,160
EXPENDITURES:				
Current:				
Health and welfare	1,398,505	1,398,505	1,433,745	(35,240)
TOTAL EXPENDITURES	1,398,505	1,398,505	1,433,745	(35,240)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(188,050)	(188,050)	(153,130)	34,920
OTHER FINANCING SOURCES:				
Transfers in	152,210	152,210	152,210	-
TOTAL OTHER FINANCING SOURCES	152,210	152,210	152,210	-
NET CHANGE IN FUND BALANCE	(35,840)	(35,840)	(920)	34,920
FUND BALANCE - BEGINNING OF YEAR	9,598	9,598	9,598	-
FUND BALANCE - END OF YEAR	\$ (26,242)	\$ (26,242)	\$ 8,678	\$ 34,920

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 247,314	\$ 247,314	\$ 310,373	\$ 63,059
Intergovernmental	-	-	904	904
Investment income	-	-	1,106	1,106
TOTAL REVENUES	<u>247,314</u>	<u>247,314</u>	<u>312,383</u>	<u>65,069</u>
EXPENDITURES:				
Current:				
Public works	<u>291,248</u>	<u>291,248</u>	<u>262,074</u>	<u>29,174</u>
TOTAL EXPENDITURES	<u>291,248</u>	<u>291,248</u>	<u>262,074</u>	<u>29,174</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(43,934)</u>	<u>(43,934)</u>	<u>50,309</u>	<u>94,243</u>
OTHER FINANCING USES:				
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>60,000</u>
TOTAL OTHER FINANCING USES	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>60,000</u>
NET CHANGE IN FUND BALANCE	(103,934)	(103,934)	50,309	154,243
FUND BALANCE - BEGINNING OF YEAR	<u>363,904</u>	<u>363,904</u>	<u>363,904</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 259,970</u>	<u>\$ 259,970</u>	<u>\$ 414,213</u>	<u>\$ 154,243</u>

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and penalties	\$ 30,000	\$ 30,000	\$ 41,506	\$ 11,506
TOTAL REVENUES	30,000	30,000	41,506	11,506
EXPENDITURES:				
Current:				
Public safety	127,129	127,129	87,326	39,803
TOTAL EXPENDITURES	127,129	127,129	87,326	39,803
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(97,129)	(97,129)	(45,820)	51,309
OTHER FINANCING SOURCES:				
Transfers in	184,568	184,568	107,237	(77,331)
TOTAL OTHER FINANCING SOURCES	184,568	184,568	107,237	(77,331)
NET CHANGE IN FUND BALANCE	87,439	87,439	61,417	(26,022)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(61,417)	(61,417)	(61,417)	-
FUND BALANCE - END OF YEAR	\$ 26,022	\$ 26,022	\$ -	\$ (26,022)

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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, 2016

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.	110
<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.	118
<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.	125
<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.	128
<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.	130

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			
	2006-07	2007-08	2008-09	2009-10
Governmental activities				
Net investment in capital assets	\$ (6,487,493)	\$ (3,492,729)	\$ (4,507,696)	\$ (3,524,365)
Restricted	4,395,094	5,707,857	6,937,550	7,835,302
Unrestricted	12,401,215	12,813,583	17,668,250	18,950,754
Total net position	<u>\$ 10,308,816</u>	<u>\$ 15,028,711</u>	<u>\$ 20,098,104</u>	<u>\$ 23,261,691</u>



Fiscal Year

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
\$ 36,451,627	\$ 34,476,494	\$ 34,133,568	\$ 33,422,352	\$ 32,759,981	\$ 31,386,223
8,897,227	5,067,991	6,101,895	5,143,343	5,088,435	5,094,844
(21,637,253)	20,937,060	18,066,019	19,919,647	18,850,677	21,723,206
<u>\$ 23,711,601</u>	<u>\$ 60,481,545</u>	<u>\$ 58,301,482</u>	<u>\$ 58,485,342</u>	<u>\$ 56,699,093</u>	<u>\$ 58,204,273</u>

CITY OF HAWAIIAN GARDENS

CHANGES IN NET POSITION

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
<b>Expenses</b>				
Governmental activities:				
General government	\$ 6,062,061	\$ 6,376,603	\$ 8,743,259	\$ 10,072,928
Public safety	3,076,208	3,211,600	3,575,518	3,552,391
Public works	1,564,133	1,891,194	1,821,252	1,764,726
Highways and streets	2,114,683	3,042,425	2,759,782	1,830,911
Culture and recreation	4,007,930	3,867,286	3,899,959	3,491,850
Urban development	822,744	996,756	821,009	624,566
Health and welfare	926,553	1,061,060	1,255,981	1,277,996
Interest on long-term debt	3,411,036	2,470,165	2,324,079	2,208,365
Total governmental activities expenses	<u>21,985,348</u>	<u>22,917,089</u>	<u>25,200,839</u>	<u>24,823,733</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	102,814	135,651	350,998	8,416
Public safety	568,487	986,372	208,209	98,194
Public works	281,424	299,565	889,034	623,352
Culture and recreation	313,776	94,197	120,450	104,572
Health and welfare	104,680	105,486	129,483	195,253
Operating grants and contributions	3,266,016	2,488,580	3,651,069	3,982,760
Capital grants and contributions	83,129	499,736	529,850	627,892
Total governmental activities program revenues	<u>4,720,326</u>	<u>4,609,587</u>	<u>5,879,093</u>	<u>5,640,439</u>
Net (Expense)/Revenue - Governmental Activities	<u>(17,265,022)</u>	<u>(18,307,502)</u>	<u>(19,321,746)</u>	<u>(19,183,294)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Property taxes	5,841,469	6,106,660	7,195,328	6,405,122
Business license taxes	11,676,652	13,252,065	14,117,458	13,372,929
Sales taxes	690,784	694,394	705,319	625,572
Franchise taxes	168,341	153,861	181,547	182,528
Other taxes	62,424	52,189	31,514	67,964
Motor vehicle in lieu, unrestricted	1,325,587	1,426,058	1,454,009	1,339,490
Investment income	1,237,348	1,153,044	617,954	288,510
Other general revenues	178,407	189,126	88,010	64,766
Total governmental activities	<u>21,181,012</u>	<u>23,027,397</u>	<u>24,391,139</u>	<u>22,346,881</u>
Change in net position before extraordinary gain	3,915,990	4,719,895	5,069,393	3,163,587
Extraordinary gain (loss) on dissolution of RDA	-	-	-	-
Change in Net Position	<u>\$ 3,915,990</u>	<u>\$ 4,719,895</u>	<u>\$ 5,069,393</u>	<u>\$ 3,163,587</u>

Source: City of Hawaiian Gardens, Finance Department

Fiscal Year					
2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
\$ 8,775,983	\$ 6,191,160	\$ 6,815,321	\$ 6,052,505	\$ 6,037,441	\$ 4,599,086
3,443,643	3,398,478	3,571,344	3,332,962	3,440,359	3,773,979
1,550,686	1,775,077	2,136,582	2,411,659	2,014,710	3,258,555
1,454,659	1,437,639	1,459,348	1,349,640	1,389,596	1,400,432
3,709,136	7,686,306	3,461,731	3,204,330	3,304,846	3,396,255
3,335,270	658,504	629,006	317,298	346,794	344,373
1,324,531	1,434,204	1,532,618	1,444,790	1,371,582	1,531,033
2,127,469	1,216,576	-	-	-	-
<u>25,721,377</u>	<u>23,797,944</u>	<u>19,605,950</u>	<u>18,113,184</u>	<u>17,905,328</u>	<u>18,303,713</u>
3,273	21,797	410	29,030	6,745	17,495
1,000	85,249	74,820	87,074	80,378	60,932
469,288	519,232	913,998	817,364	1,332,288	515,685
114,225	187,863	183,181	237,432	195,820	217,755
2,145	260	304	3,125	1,310	1,855
3,580,784	3,982,145	3,177,014	3,572,376	3,298,207	3,087,071
3,265	321,527	-	-	-	-
<u>4,173,980</u>	<u>5,118,073</u>	<u>4,349,727</u>	<u>4,746,401</u>	<u>4,914,748</u>	<u>3,900,793</u>
<u>(21,547,397)</u>	<u>(18,679,871)</u>	<u>(15,256,223)</u>	<u>(13,366,783)</u>	<u>(12,990,580)</u>	<u>(14,402,920)</u>
5,966,338	3,793,578	1,697,928	1,504,630	1,740,562	1,607,190
12,760,534	12,738,887	11,850,275	11,370,160	11,919,789	13,022,716
654,284	723,098	761,152	772,165	844,475	986,776
186,371	197,451	197,706	208,830	217,063	214,227
124,417	143,522	154,971	164,163	220,103	203,515
1,317,884	7,877	8,162	6,755	6,525	5,869
134,720	47,942	59,930	47,365	50,245	90,265
409,073	311,548	725,566	367,279	2,931,149	178,322
<u>21,553,621</u>	<u>17,963,903</u>	<u>15,455,690</u>	<u>14,441,347</u>	<u>17,929,911</u>	<u>16,308,880</u>
6,224	(715,968)	199,467	1,074,564	4,939,331	1,905,960
-	-	37,867,843	(2,250,125)	-	-
<u>\$ 6,224</u>	<u>\$ (715,968)</u>	<u>\$ 38,067,310</u>	<u>\$ (1,175,561)</u>	<u>\$ 4,939,331</u>	<u>\$ 1,905,960</u>

CITY OF HAWAIIAN GARDENS

FUND BALANCES OF GOVERNMENTAL FUNDS

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

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
<b>General Fund</b>				
Nonspendable				
Committed				
Unassigned				
Total General Fund				
<b>All Other Governmental Funds</b>				
Nonspendable				
Restricted:				
Public safety				
Public works				
Debt service				
Highways and streets				
Low and moderate income housing				
Culture and recreation				
Health and welfare				
Unassigned				
Total All Other Governmental Funds				
Total All Governmental Funds				
<b>General Fund</b>				
Reserved	\$ 3,753,111	\$ 3,316,082	\$ 3,960,018	\$ 5,685,769
Unreserved	9,742,260	10,892,539	12,602,337	15,348,649
Total General Fund	<u>13,495,371</u>	<u>14,208,621</u>	<u>16,562,355</u>	<u>21,034,418</u>
<b>All Other Governmental Funds</b>				
Reserved	12,958,711	6,036,262	9,258,799	8,631,506
Unreserved, reported in:				
Special revenue funds	4,344,677	5,322,579	1,071,053	699,391
Capital projects funds	(52,096)	(81,077)	(279,391)	(2,496,232)
Total All Other Governmental Funds	<u>17,251,292</u>	<u>11,277,764</u>	<u>10,050,461</u>	<u>6,834,665</u>
Total All Governmental Funds	<u>\$ 30,746,663</u>	<u>\$ 25,486,385</u>	<u>\$ 26,612,816</u>	<u>\$ 27,869,083</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					
2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
\$ -	\$ 3,771,450	\$ 2,721,538	\$ 2,721,538	\$ 2,721,539	\$ 2,721,538
-	-	14,650,000	15,750,000	15,750,000	15,750,000
20,095,731	15,443,364	1,446,073	2,703,122	6,787,610	9,505,290
<u>20,095,731</u>	<u>19,214,814</u>	<u>18,817,611</u>	<u>21,174,660</u>	<u>25,259,149</u>	<u>27,976,828</u>
-	-	-	-	-	-
94,485	17,361	33,466	15,515	20,832	-
2,857,483	350,586	487,094	482,612	363,904	414,213
252,140	-	-	-	-	-
335,059	562,423	569,728	625,196	801,904	803,495
7,881,826	2,975,550	3,726,086	3,726,086	3,726,086	3,700,586
-	-	-	21,561	16,749	15,988
230,947	275,184	394,817	268,194	152,751	151,069
(4,480,770)	(12,175)	(2,991)	(78,661)	(102,538)	(104,215)
<u>7,171,170</u>	<u>4,168,929</u>	<u>5,208,200</u>	<u>5,060,503</u>	<u>4,979,688</u>	<u>4,981,136</u>
<u>\$ 27,266,901</u>	<u>\$ 23,383,743</u>	<u>\$ 24,025,811</u>	<u>\$ 26,235,163</u>	<u>\$ 30,238,837</u>	<u>\$ 32,957,964</u>

CITY OF HAWAIIAN GARDENS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
<b>Revenues</b>				
Taxes	\$ 7,842,778	\$ 8,071,962	\$ 10,500,124	\$ 9,464,075
Licenses and permits	12,280,520	14,257,240	14,526,268	13,685,819
Intergovernmental	3,768,272	3,231,958	2,877,183	3,505,975
Foundation contributions	83,150	499,250	529,850	504,800
Charges for services	87,900	103,602	843,071	344,766
Fines and penalties	168,314	159,332	183,713	96,944
Rental income	141,426	145,003	109,186	131,250
Investment income	1,237,348	1,153,044	502,948	156,328
Other revenue	341,491	232,753	143,299	83,801
Total Revenues	<u>25,951,199</u>	<u>27,854,144</u>	<u>30,215,642</u>	<u>27,973,758</u>
<b>Expenditures</b>				
Current:				
General government	4,935,292	5,371,729	7,723,707	9,016,829
Public safety	3,073,673	3,198,515	3,572,983	3,549,856
Public works	1,207,237	1,275,918	1,306,535	1,557,724
Highways and streets	1,660,678	1,242,829	1,323,897	1,257,060
Culture and recreation	3,126,003	3,419,025	3,525,838	3,173,330
Urban development	1,050,126	1,250,831	820,063	624,566
Health and welfare	916,166	1,050,616	1,247,533	1,269,548
Capital outlay	3,228,704	10,182,424	4,451,112	1,294,095
Debt Service:				
Principal	705,000	3,320,000	2,340,000	2,245,000
Interest	2,784,104	2,802,535	2,777,543	2,729,483
Payment to bond escrow agent	759,204	-	-	-
Cost of issuance	389,237	-	-	-
Total Expenditures	<u>23,835,424</u>	<u>33,114,422</u>	<u>29,089,211</u>	<u>26,717,491</u>
Excess of revenues over (under) expenditures	<u>2,115,775</u>	<u>(5,260,278)</u>	<u>1,126,431</u>	<u>1,256,267</u>
<b>Other Financing Sources/(Uses)</b>				
Transfers in	11,527,855	6,957,342	3,092,410	3,216,017
Transfers out	(11,527,855)	(6,957,342)	(3,092,410)	(3,216,017)
Sale of property	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>8,859,389</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances before extraordinary item	10,975,164	(5,260,278)	1,126,431	1,256,267
Extraordinary loss on dissolution of RDA	-	-	-	-
Net change in fund balances	<u>\$ 10,975,164</u>	<u>\$ (5,260,278)</u>	<u>\$ 1,126,431</u>	<u>\$ 1,256,267</u>
Debt service as a percentage of noncapital exp.	21.46%	18.49%	17.59%	19.82%

Source: City of Hawaiian Gardens, Finance Department

Fiscal Year					
2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
\$ 7,990,645	\$ 4,932,237	\$ 2,889,739	\$ 2,685,762	\$ 3,060,064	\$ 3,078,583
13,053,035	13,092,096	12,613,530	11,969,338	13,059,057	13,439,303
3,557,418	3,996,356	3,450,920	3,553,268	3,432,287	3,197,253
-	-	-	-	-	-
261,805	309,501	259,280	456,760	386,856	292,955
110,825	85,477	74,810	87,074	80,379	58,709
127,593	120,877	127,429	104,150	73,688	75,415
134,720	46,374	47,752	27,643	42,706	77,189
507,906	177,531	327,481	252,128	1,354,454	841,372
<u>25,743,947</u>	<u>22,760,449</u>	<u>19,790,941</u>	<u>19,136,123</u>	<u>21,489,491</u>	<u>21,060,779</u>
7,081,365	5,319,270	5,356,118	4,445,996	5,133,025	5,303,677
3,441,839	3,396,674	3,569,540	3,331,158	3,439,279	3,772,899
1,532,211	1,552,330	1,742,331	1,730,904	1,872,922	2,011,794
1,412,771	1,437,639	1,459,348	1,349,640	1,389,596	1,400,432
3,426,149	3,635,312	3,186,491	2,933,003	3,033,511	3,122,878
370,302	631,959	620,648	317,298	346,794	344,373
1,313,431	1,423,104	1,502,214	1,409,379	1,336,171	1,440,245
3,990,791	4,194,454	1,364,288	1,321,855	855,426	796,013
1,140,000	1,216,792	48,519	87,538	79,093	149,341
2,637,270	1,051,776	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>26,346,129</u>	<u>23,859,310</u>	<u>18,849,497</u>	<u>16,926,771</u>	<u>17,485,817</u>	<u>18,341,652</u>
<u>(602,182)</u>	<u>(1,098,861)</u>	<u>941,444</u>	<u>2,209,352</u>	<u>4,003,674</u>	<u>2,719,127</u>
1,980,053	5,394,736	1,942,614	620,859	999,404	799,154
(1,980,053)	(5,394,736)	(1,942,614)	(620,859)	(999,404)	(799,154)
-	-	-	-	-	-
-	346,741	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>346,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(602,182)</u>	<u>(752,120)</u>	<u>941,444</u>	<u>2,209,352</u>	<u>4,003,674</u>	<u>2,719,127</u>
<u>-</u>	<u>-</u>	<u>(3,131,038)</u>	<u>(299,376)</u>	<u>-</u>	<u>-</u>
<u>\$ (602,182)</u>	<u>\$ (752,120)</u>	<u>\$ (2,189,594)</u>	<u>\$ 1,909,976</u>	<u>\$ 4,003,674</u>	<u>\$ 2,719,127</u>
19.99%	10.51%	0.26%	0.53%	0.46%	0.84%

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
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
2015	455,558,443	122,046,256	44,794,174	11,185,280	11,974,495	25,613,763
2016	481,294,982	125,528,200	45,689,141	8,663,100	20,369,589	28,077,232

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>
\$ 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%
3,354,055	21,015,094	30,250	695,571,810	94.022%
4,187,520	19,491,479	30,250	733,331,493	93.874%

CITY OF HAWAIIAN GARDENS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

	Fiscal Year			
	2006-07	2007-08	2008-09	2009-10
Basic Levy (Note 1)	1.00000	1.00000	1.00000	1.00000
Overlapping Rates (Note 2):				
ABC Unified School District	0.02427	0.02434	0.02388	0.02695
Cerritos Community College District	0.02392	0.01071	0.00994	0.01854
County Detentions Facility 1987 Debt	0.00066	0.00000	0.00000	0.00000
LA County Flood Control	0.00005	0.00000	0.00000	0.00000
Long Beach Community College District	0.01153	0.01839	0.02181	0.02392
Long Beach Unified School District	0.03811	0.03457	0.03220	0.08663
Metropolitan Water District	0.00470	0.00450	0.00430	0.00430
<b>Total Direct &amp; Overlapping Tax Rates</b>	<b>1.10324</b>	<b>1.09251</b>	<b>1.09213</b>	<b>1.16034</b>
City's Share of 1% Levy Per Prop 13 (Note 3)	0.05602	0.05602	0.05602	0.05602
Redevelopment Rate (Note 4)	1.00541	1.00450	1.00430	1.00430
Total Direct Rate (Note 5)	0.92027	0.92833	0.93020	0.92373

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					
2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
0.02920	0.02858	0.02453	0.02894	0.02916	0.03243
0.02677	0.01782	0.02594	0.02502	0.04809	0.04829
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.02559	0.02615	0.05095	0.02241	0.04595	0.03825
0.08834	0.09223	0.09394	0.07981	0.08764	0.08324
0.00370	0.00370	0.00350	0.00350	0.00350	0.00350
<u>1.17360</u>	<u>1.16848</u>	<u>1.19886</u>	<u>1.15968</u>	<u>1.21434</u>	<u>1.20571</u>
0.05602	0.05602	0.05602	0.05602	0.05602	0.05602
1.00370	1.00370	0.00000	0.00000	0.00000	0.00000
0.92038	0.92074	0.92612	0.32190	0.32199	0.32202

CITY OF HAWAIIAN GARDENS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2015-16		Fiscal Year 2006-07	
	Taxable	Percent of	Taxable	Percent of
Cerritos Gardens General Hospital Company	1 \$ 30,610,242	4.17%	\$ 18,677,875	2.99%
Irving I Moskowitz Foundation	2 18,724,613	2.55%	9,389,192	1.50%
Hawaiian Gardens Lakewood Retail	3 17,994,798	2.45%		0.00%
Extra Space Properties Ninety Four LP	4 14,877,442	2.03%		0.00%
NSA-C Holdings LLC	5 10,929,156	1.49%		0.00%
Stanton H. Wong Trust	6 10,462,782	1.43%		0.00%
Hawaiian Gardens Square	7 10,260,034	1.40%	8,428,487	1.35%
DV Properties	8 10,139,856	1.38%	8,021,419	1.28%
John & Linda Franklin	9 9,417,596	1.28%		0.00%
Whelan Investments Inc.	10 9,381,555	1.28%	8,256,942	1.32%
ESS Prisa III Owner LLC			14,693,179	2.35%
Urdang and Cadence Hawaiian Gardens LLC			13,739,400	2.20%
CT Storage Hawaiian Gardens LLC			12,109,956	1.94%
NF Hawaiian Gardens LP			9,587,462	1.53%
Hawaiian Gardens Card Club Inc.			6,181,347	0.99%
	<u>\$ 142,798,074</u>	<u>19.47%</u>	<u>\$ 109,085,259</u>	<u>17.46%</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
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%
2015	155,736	134,726	86.51%
2016	162,925	137,028	84.10%

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
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%
2015	11,360,913	10,400,019	91.54%	960,894	11,360,913	100.00%
2016	12,619,668	11,527,144	91.34%	1,092,524	12,619,668	100.00%

Notes:

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

CITY OF HAWAIIAN GARDENS

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

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities - General Bonded Deb			Percent of Assessed Value (2)	Percent of Personal Income (1)	Debt Per Capita (1)
	Tax Allocation Bonds	Certificates of Participation	Total			
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%	-
2015	(3)	-	(3)	0.00%	0%	-
2016	(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, 2016

Overlapping Debt (Note 1):	Debt Outstanding	Percent Applicable To City	Estimated City's Share of Overlapping Debt 6/30/2016
Metropolitan Water District	\$ 44,916,916	0.005%	\$ 2,209
Cerritos CCD DS 2004 Serices 2009C	4,520,000	1.794%	81,081
Cerritos CCD DS 2004 Serices 2012D	82,152,224	1.794%	1,473,663
Cerritos CCD DS 2012 Series 2014A	91,545,000	1.794%	1,642,152
Cerritos CCD DS 2014 Refuncing Bonds Series A	78,830,000	1.794%	1,414,068
Cerritos CCD DS 2014 Refuncing Bonds Series B	17,400,000	1.794%	312,125
ABC Unified School District 2003 Refunding Bond Series A	29,626,700	5.485%	1,624,990
ABC Unified School District 2010 Refunding Bonds	12,730,000	5.485%	698,226
Total Overlapping Debt			7,248,514
City of Hawaiian Gardens Direct Debt at 6/30/16	(2)	100.000%	(2)
Total Net Direct and Overlapping Governmental Debt			\$ 7,248,514
2015-16 Assessed Valuation	\$ 50,587,926		
Ratios to 2015/16 Assessed Valuation:			
Direct Debt		0.00%	
Overlapping Debt		14.33%	
Total Debt (Direct & Overlapping)		14.33%	

Note 1: Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

Source: The HdL Companies



CITY OF HAWAIIAN GARDENS

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

Legal Debt Margin Calculation for the Current Year:

Assessed value	\$ 733,331,493
Debt limit (15% of assessed value)	109,999,724
Debt applicable to limit (see Note)	-
Legal debt margin - Current Year	<u>\$ 109,999,724</u>

Fiscal Year	Debt Limit	Debt Applicable to Limit	Legal Debt Margin	Debt as Percentage of Limit
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%
2014-15	104,335,772	-	104,335,772	0%
2015-16	109,999,724	-	109,999,724	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

<u>Calendar Year</u>	<u>City Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
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%
2014	14,462	208,383	14,409	7.3%
2015	14,926	195,658	13,108	5.9%

Source: The HdL Companies

CITY OF HAWAIIAN GARDENS

PRINCIPAL EMPLOYERS

Current Year and Seven Years Ago

Employer	Fiscal Year 2015-16		Fiscal Year 2008-09	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Hawaiian Gardens Card Club	N/A	N/A	1,000	13.33%
Tri-City Medical Center	N/A	N/A	350	4.67%
City of Hawaiian Gardens	N/A	N/A	81	1.08%
Total Building Care, Inc.	N/A	N/A	70	0.93%
Cypress Garden Villas	N/A	N/A	70	0.93%
Richmond Plastering Inc.	N/A	N/A	50	0.67%
Howard Contracting Inc.	N/A	N/A	50	0.67%
Patchman Plastering Inc.	N/A	N/A	45	0.60%
ABC Unified School District	N/A	N/A	40	0.53%
Outdoor Living Products, Inc.	N/A	N/A	40	0.53%

N/A - Current year information is not available

CITY OF HAWAIIAN GARDENS

FULL-TIME AND PART-TIME CITY EMPLOYEES

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	18	15	16	16	11	11	11	11	12	12
Public Safety	6	6	6	6	7	3	3	3	3	3
Public Works	6	8	8	8	8	8	8	8	8	8
Culture and Recreation	36	35	36	36	40	42	42	42	32	31
Highways and Streets	6	6	6	6	6	6	6	6	6	6
Urban Development	7	9	9	9	8	8	8	8	9	9
	<u>79</u>	<u>79</u>	<u>81</u>	<u>81</u>	<u>80</u>	<u>78</u>	<u>78</u>	<u>78</u>	<u>70</u>	<u>69</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 Ten Fiscal Years

Function	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
<b>Police:</b>					
Physical arrests	486	686	584	706	542
Parking violations	258	2,885	2,647	1,918	1,783
Traffic violations	1,750	1,837	1,791	2,304	1,824
<b>Highways and Streets:</b>					
Street resurfacing (miles)	2	1	1	1	-
Potholes repaired	89	72	86	72	62
<b>Human Services:</b>					
<b>Senior Center Programs:</b>					
Classes and activities	191	195	193	190	200
Number of Participants	34,206	38,200	38,107	36,000	36,500
Excursions	32	35	34	38	30
Number of Participants	1,214	1,400	1,375	1,500	1,000
Special events	21	21	20	19	19
Number of Participants	2,234	2,910	3,022	3,200	4,000
<b>Transportation:</b>					
Number of passengers	31,027	31,356	31,004	16,390	20,000
Mileage	76,083	77,770	76,289	63,320	68,000
<b>Recreation:</b>					
Classes and activities	178	182	186	201	211
Number of participants	77,094	79,565	80,434	85,000	87,000
Special events	21	22	22	24	28
Number of participants	11,430	15,010	14,699	27,000	29,000
Number of facility rentals	18	23	21	19	22

Function	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
<b>Police:</b>					
Physical arrests	596	491	366	515	386
Parking violations	2,151	1,820	1,715	2,093	2,130
Traffic violations	1,672	1,195	1,142	998	998
<b>Highways and Streets:</b>					
Street resurfacing (miles)	1.00	1.00	1.00	1.00	1.85
Potholes repaired	2	-	5	8	52
<b>Human Services:</b>					
<b>Senior Center Programs:</b>					
Classes and activities	132	144	140	13	191
Number of Participants	53,640	53,984	54,178	46,273	36,500
Excursions	24	32	30	27	37
Number of Participants	960	1,270	1,260	1,363	1,000
Special events	19	22	25	23	23
Number of Participants	12,757	2,707	3,075	2,077	2,100
<b>Transportation:</b>					
Number of passengers	21,886	21,886	21,886	24,226	24,300
Mileage	62,504	62,504	62,504	58,682	63,400
<b>Recreation:</b>					
Classes and activities	263	279	205	240	248
Number of participants	180,539	198,330	142,172	104,545	104,500
Special events	26	28	29	28	28
Number of participants	19,870	20,280	22,000	108,545	108,500
Number of facility rentals	20	21	25	16	14

Source: City of Hawaiian Gardens - Various Departments

CITY OF HAWAIIAN GARDENS  
CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Vehicles	3	3	3	3	3	3	3	4	4	5
Public Safety:										
Vehicles	3	3	3	3	3	1	1	1	1	1
Public Works:										
Vehicles	20	23	23	23	23	20	20	20	20	13
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	1	1	1	1	1	1	-	-	-	-
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	6	5	5	5	7	7	6	7	7	7

Source: City of Hawaiian Gardens - Various Departments