

CITY OF HAWAIIAN GARDENS
Hawaiian Gardens, California

Comprehensive Annual Financial Report

Year ended June 30, 2007

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2007

Prepared by
Department of Finance

David Sung
Finance Director

CITY OF HAWAIIAN GARDENS, CALIFORNIA

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CITY OF HAWAIIAN GARDENS
 Comprehensive Annual Financial Report
 Year ended June 30, 2007

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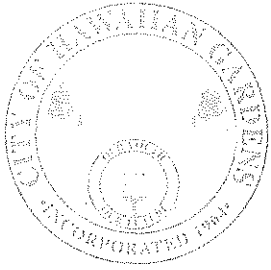
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CITY OF HAWAIIAN GARDENS

December 5, 2007

To the Members of the City Council and Residents of the City of Hawaiian Gardens:

It is the policy of the City of Hawaiian Gardens to annually publish a complete set of financials statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Hawaiian Gardens ("the City") for the fiscal year ended June 30, 2007.

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 *MAYER HOFFMAN MCCANN P.C. CONRAD GOVERNMENT SERVICES DIVISION*, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2007, 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 audited 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.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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 the Government

The City, incorporated in 1964, is located in the southeastern corner of Los Angeles County. The City currently occupies a land area of nine tenths of a square mile and serves a population of 15,398.

The City has operated under the Council-City Administrator form of government since 1964. Policymaking and legislative authority are vested in a City Council consisting of five members, one of whom is selected Mayor by the City Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing commissions and hiring both the City Administrator and City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the City Council and for overseeing the day-to-day operations of the City. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected in the first two year period and two council members elected in the other two year period.

The City provides a full range of services, including police protection (contracted with Los Angeles Sheriff's department); the construction and maintenance of highways, streets and other infrastructure; and recreational activities and cultural events. The City is financially accountable for a redevelopment agency and financing authority, both of which are reported separately within the City's financial statements. Additional information regarding all three of these legally separate entities can be found in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City's administrator during the month of March. The City's administrator uses these requests as the starting point for developing a proposed budget. The City's administrator then presents this proposed budget to the council for review during the month of May. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. human services), and department (e.g. special events). Transfers of appropriations between funds require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. Formal budgetary integration is not employed for debt service funds or capital project funds because effective budgetary control is alternatively achieved through trust

indenture provisions. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the general 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 within the City operates.

Local economy. The City currently enjoys a favorable economic environment. Within the City limits there is planned new commercial and residential development. The City's main source of jobs and revenue is the Hawaiian Gardens Casino (a card club). The Casino has continued growth in patronage since opening in the year 2000 and is in the process of developing plans for expanding its facility to accommodate more players along with meeting and eating facilities.

The City is located in Southeastern corner of Los Angeles County. The overall area has a population in excess of ten million people. This population is very diverse and the related economy of the area is also very diverse. Current trends indicate an increased in the value of real estate, especially in the residential area. The local economy is sound and projections indicate that further growth is expected.

Long-term financial planning and Major Initiatives. The City established a Fiscal Policy in 2000. This fiscal policy set as a goal to establish a General Fund Reserve of one year's Casino revenue to the City, currently \$11,600,000. This reserve was to be set aside in yearly increments of \$500,000 until the total amount had been set aside. This reserve is currently \$4,000,000.

The City's biggest initiative is the purchasing and the rehabilitation of an existing building to serve as both the City library and public safety building. Preliminary estimates of the cost of this facility are \$3,000,000.

Two projects in the early stages of implementation will enhance the quality of life for the residents of the City. The City is in the process of improving the fields at Fedde Middle School to make these fields a Sports Complex. This complex will serve as one of the cities parks and added lighting, new sod and a running track. In addition, another major initiative the City is working on is creating an Urban Trail. This project would include covering an existing storm drain and putting sod on the storm drain cover. The usage of this trail would be passive with only restrooms and some exercise stations added.

Cash management policies and practices. The City has an Investment Policy which is reviewed and adopted each year. Cash temporarily idle during the year can be invested in certificates of deposit, obligations of the U.S. Treasury, commercial paper, corporate bonds and the state of California Local Agency Investment Fund. Investment revenue includes appreciation/depreciation in the fair value of investments. Increases and

Members of the City Council and Residents of the City of Hawaiian Gardens:
December 5, 2007

decreases in fair value during the year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk management. The City is a member of the California Joint Powers Insurance Authority (CJPIA), which has over 100 member agencies. All risk management for both Liability and Workers' Compensation are handled by the CJPIA. The City's costs for this are based on actual claims plus pooled costs. The CJPIA serves as the lead third party administrator and processes and disposes of all claims. Additional information on the City's risk management activity can be found in the notes to the financial statements.

Pension and other postemployment benefits. The City contributes to the California Public Employees Retirement System, an agent multiple-employer defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by this funding policy. The unfunded actuarial liability associated with employee services rendered to date is being systematically funded over 13 years as part of the annual required contribution calculated by the actuary.

The City also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 11 retired employees receiving these benefits, which are financed on a pay-as-you-go basis.

Additional information regarding the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

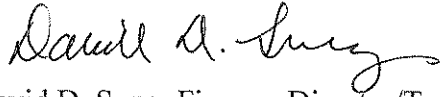
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hawaiian Gardens for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

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

Members of the City Council and Residents of the City of Hawaiian Gardens:
December 5, 2007

Respectfully submitted,

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

David D. Sung, Finance Director/Treasurer

CITY OF HAWAIIAN GARDENS

Directory of City Officials

June 30, 2007

CITY COUNCIL

John F. Heckerman – Mayor
Michiko Oyama-Canada - Mayor Pro Tem
Betty J. Schultze - Councilmember
Leonard J. Chaidez - Councilmember
Petra A. Prida - Councilmember

ADMINISTRATIVE TEAM

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

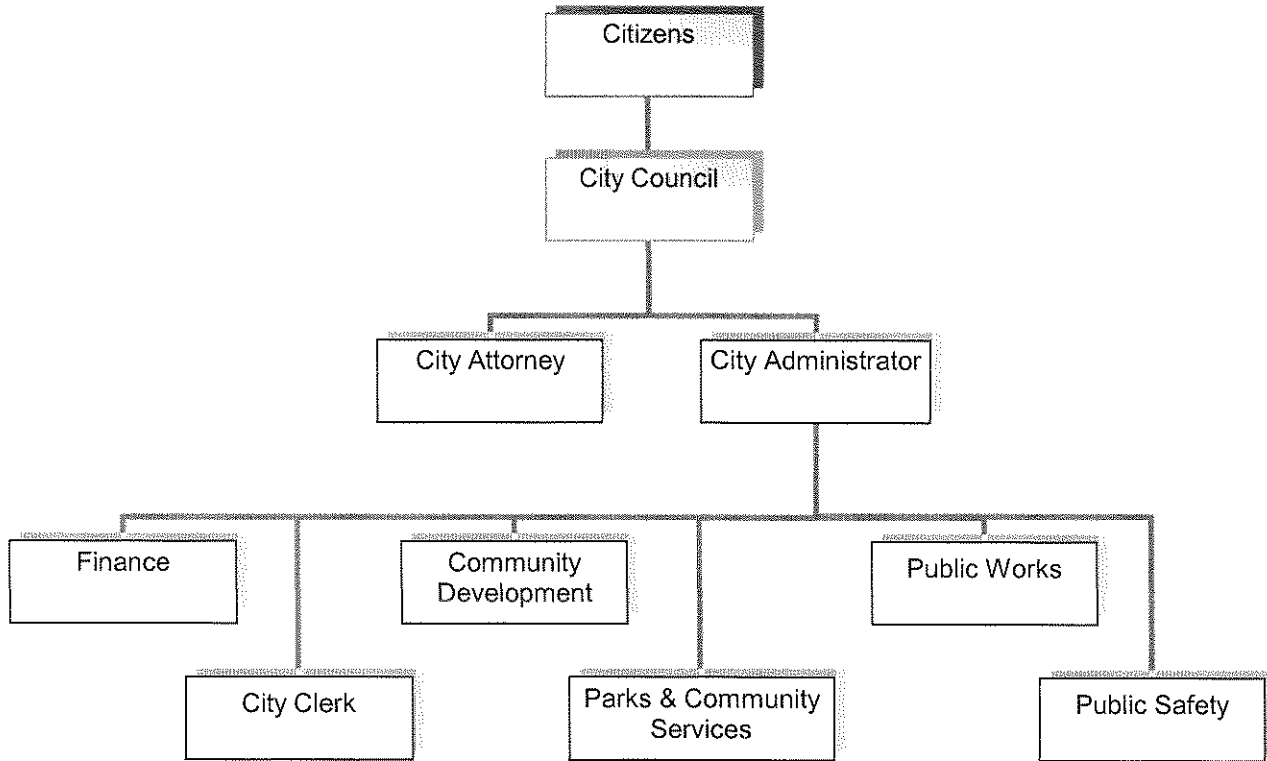
BOARDS/COMMISSIONS

Planning Commission
Public Housing Commission
Public Safety Commission
Recreation Commission

CITY OF HAWAIIAN GARDENS

Organization Chart

June 30, 2007



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hawaiian Gardens
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Mayer Hoffman McCann P.C.

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The Honorable Mayor and City Council
City of Hawaiian Gardens, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hawaiian Gardens, California as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Hawaiian Gardens, California. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Hawaiian Gardens for the year ended June 30, 2006 and, in our report dated September 1, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2007 and the respective changes in financial position of the City of Hawaiian Gardens for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Mayor and City Council
City of Hawaiian Gardens, California
Page Two

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 financial statements, individual nonmajor fund budgetary comparison schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and individual nonmajor fund budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
December 5, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Hawaiian Gardens provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual financial report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements. The fund financial statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provided additional financial and budgetary information.

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to

consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

Reporting the City's Most Significant Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money. The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.

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

CITY OF HAWAIIAN GARDENS
Statement of Net Assets
June 30, 2007 and 2006

	Governmental Activities 2007	Governmental Activities 2006	Change
Current and other assets	\$ 33,362,233	21,936,490	11,425,743
Capital assets, net of depreciation	30,909,112	30,544,543	364,569
Total Assets	64,271,345	52,481,033	11,790,312
Long-term debt outstanding	52,073,278	44,376,006	7,697,272
Other liabilities	1,889,251	1,503,091	386,160
Total Liabilities	53,962,529	45,879,097	8,083,432
Net assets:			
Invested in capital assets, net of debt	(6,487,493)	(8,112,953)	1,625,460
Restricted	4,395,094	3,241,677	1,153,417
Unrestricted	12,401,215	11,473,212	928,003
Total Net Assets	\$ 10,308,816	6,601,936	3,706,880

The net assets (financial position) of the City changed as a result of the revenue and expense fluctuations described below for the governmental activities of the City. The overlying reason for the increase was the large increase in Casino Revenue. Actual continuing operations have resulted in an increase in Net Assets.

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

CITY OF HAWAIIAN GARDENS
Change in Net Assets – Years Ended June 30, 2007 and 2006

Table 2

	<u>Governmental Activities</u> <u>2007</u>	<u>Governmental Activities</u> <u>2006</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 1,371,181	1,712,295	(341,114)
Operating grants and contributions	3,266,016	2,931,450	334,566
Capital contributions and grants	83,129	506,710	(423,581)
General Revenues:			
Property taxes	5,841,469	5,337,310	504,159
Other taxes	12,598,201	11,674,865	923,336
Motor vehicle in lieu, unrestricted	1,325,587	1,517,327	(191,740)
Other general revenues	1,415,755	1,110,627	305,128
Total Revenues	<u>25,901,338</u>	<u>24,790,584</u>	<u>1,110,754</u>
Expenses:			
General government	6,062,061	6,577,405	(515,344)
Public safety	3,076,208	2,478,149	598,059
Culture and recreation	4,007,930	3,136,595	871,335
Public works	1,564,133	1,384,822	179,311
Highways and streets	2,114,683	2,577,800	(463,117)
Urban development	822,744	1,037,822	(215,078)
Health and welfare	926,553	975,746	(49,193)
Interest and fiscal charges	3,411,036	2,339,139	1,071,897
Total Expenses	<u>21,985,348</u>	<u>20,507,478</u>	<u>1,477,870</u>
Increase in net assets	3,915,990	4,283,106	(367,116)
Net assets at beginning of year	<u>6,392,826</u>	<u>2,318,830</u>	<u>4,073,996</u>
Net assets at end of year	<u>\$ 10,308,816</u>	<u>6,601,936</u>	<u>3,706,880</u>

Governmental Activities

Revenues for the City's governmental activities increased 4.5 percent (\$1.11 million), from \$24,790,584 in 2006 to \$25,901,338 in 2007. Total governmental activity expenses increased 7.2 percent (\$1.48 million), from \$20,507,478 in 2006 to \$21,985,348 in 2007. Overall, the City's governmental program revenues, including intergovernmental aid and fees for services, decreased \$0.5 million from \$5.2 million in 2006 to \$4.7 million in 2007.

The reasons for significant changes in the revenues and expenses of the City's governmental activities presented above are as follows:

- Charges for Services decreased by \$341,114. The most significant change in revenues over the prior year was in health and welfare charges decreased by \$263,525. This is because the reduction of local school district's reimbursement to the City.
- Operating Contributions and Grants increased by \$334,566. This primarily relates to the City's annual Community Development Block Grant which increased by \$337,100 this year.
- Capital Contributions and Grants decreased by \$423,581. This was primarily due to a one-time donation from a local foundation in the amount of \$500,000 in the prior fiscal year.
- The City's property tax revenue increased by \$504,149 due to an increase assessed values.
- Casino License Revenue increased by \$798,514 due to an increase in casino revenue.
- Investment income increased by \$651,673. Bond proceeds of \$7,800,000 received in August, 2006 were invested with California Local Agency Investment Fund.
- Other revenues decreased by \$346,545. This is because the City sold a property for \$246,354 in the previous year.
- General Government expenditures decreased by \$515,344. This is because of last year's General Government expenditures recorded an increase of \$505,678 to record capital assets deletions.
- Public Safety increased by \$598,059 due to increased helicopter service and contract cost increase.
- Culture and Recreation expenditures decreased by \$871,335 as less programs and services were offered in the current year.
- Interest and Fiscal charges increased by \$1,071,897. The increase is due to bond interest increased by \$609,757. The costs of issuance of new bonds are \$389,237.

MAJOR FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Funds. The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was \$13,495,371, an increase of \$3,020,086 more than prior year's restated balance of \$10,475,285. As a measure of the general fund's liquidity, it is useful to compare the total fund balance to total fund expenditure, which shows that fund balance is 98 percent of general fund expenditures. Total general fund expenditures this year were \$1,770,327 more than the prior year and total general fund revenue this year was \$314,095 less than the prior year.

Significant changes in the revenues of the City's' General Fund from the prior year are as follows:

- Taxes increased by \$110,755.
- Licenses and permits increased by \$790,456. This is due to the increase in the Hawaiian Gardens Casino's license fee.
- Intergovernmental decreased by \$387,681. This is primarily due to the decrease in motor vehicle license fee by \$256,097.
- Investment income increased by \$272,867 due to increased balances invested.
- Foundation contributions decreased by \$423,560. This is primarily due to a one-time donation from a local foundation which donated \$500,000 in the prior fiscal year.
- Rental income decreased by \$431,499. This is primarily due to the termination of a rental agreement with Hawaiian Gardens Financing Authority.

The **Debt Service** fund has a total fund balance of \$5,451,771, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$1,408,413, up from \$4,043,358.

GENERAL FUND BUDGET

The General Fund final budgeted appropriations increased by \$0.9 million (or 4 percent) from the original budget. The primary reason for the increase from the original budget to the final budget was due to an increase in expected capital projects. However, the differences between the original budget and the final amended budget were relatively minor.

Major deviations between the final budget of the General Fund and its actual operating results were as follows: (page 47 of the CAFR)

- Licenses and permit—Budget \$12,139,700; Received \$12,280,520=\$140,820 over budget. The license fees from Hawaiian Gardens Casino increased this year.
- Intergovernmental—Budget \$2,715,500,000; Received \$1,714,924=\$1,000,576 under budget. The City applied for State grant of \$1,000,000 has not received yet.
- Capital Projects – Budget \$15,124,512; Expended \$2,838,252=\$12,286,260 under budget. Capital projects approved this year will take several years to complete. The approved budget will pay for future expenditures under the approved project.

The General Fund actual total expenditures did not exceed final budgeted appropriations. The variance between actual total expenditures and the final appropriation was \$12,307,802, or 47.19%. The most significant variation between budgeted and actual expenditures occurred in the capital project expenditures. Budgeted capital project expenditures were \$15,124,512. However, total capital project expenditures were \$2,383,252. The reason for the \$12,286,260 variation is due to capital projects that were not completed in fiscal year 2007. Capital projects not completed in fiscal year 2007 were carried forward to fiscal year 2008.

Total General Fund revenue budget was \$16,536,650 with actual receipts of \$15,932,096 and the expenditure budget was \$26,082,173 with actual expenditures of \$13,774,371. Under budget revenues and expenditure deviation was \$11,703,248, which had the affect of raising the City's liquidity and ability to provide future government services.

CITY OF HAWAIIAN GARDENS Capital Assets As of June 30, 2007 and 2006 (net of accumulated depreciation)

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Buildings and improvements	\$ 3,983,142	\$ 4,167,589
Furniture and equipment	155,721	180,090
Vehicles	565,994	596,922
Infrastructure – road system	11,511,039	12,390,119
Rights-of-way	3,290,005	3,290,005
Land	5,445,294	5,359,474
Construction in progress	5,957,917	4,560,344
Total	<u>\$30,909,112</u>	<u>\$30,544,543</u>

The major additions and reductions to capital assets during the year ended June 30, 2007 were as follows:

- Street paving of various city streets--\$455,658

- Land purchase for Dead End street project--\$1,127,642.

Additional information on the City's capital assets can be found in the notes to the financial statement on page 33.

LONG-TERM DEBT

As of June 30, 2007, the City had total long-term liabilities outstanding of \$52.1 million. There was no debt backed by the full faith and credit of the City (i.e., there was no general obligation debt). Most of the outstanding debt was in the form of tax allocation revenue bonds and certificates of participation.

CITY OF HAWAIIAN GARDENS Long-Term Liabilities As of June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Compensated Absences	\$ 438,278	\$ 371,006
2000 Certificates of Participation	0	4,170,000
1999 Tax Allocation Bonds	4,760,000	5,305,000
2004 Tax Allocation Bonds	34,370,000	34,530,000
2006 Tax Allocation Bonds	12,505,000	0
Total	\$52,073,278	\$44,376,006

The City's total long-term liabilities increased by \$7,697,272 (17.35 percent) during the current fiscal year.

The City's 1999 Tax Allocation Bonds are rated BBB. The 2004 Tax Allocation Bonds are insured and rated AAA. Series A of the 2006 Tax Allocation Bonds are rated AAA. Series B of the 2006 Tax Allocation Bonds are not rated.

The State Constitution limits the amount of general obligation debt a City may incur to 25% of its total assessed valuation, which for the City of Hawaiian Gardens, was \$21 million at June 30, 2007. As indicated earlier, the City has no general obligation debt outstanding.

Additional information on the City's long-term debt can be found in the notes to the accompanying financial statements on pages 35-38.

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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CITY OF HAWAIIAN GARDENS

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Assets:		
Cash and investments (note 2)	\$ 19,515,311	11,199,967
Restricted cash and investments (note 2):		
Cash - restricted	20,646	19,147
Cash and investments held by bond trustee	8,079,884	5,347,504
Receivables:		
Accounts	1,065,220	933,835
Interest	172,808	-
Notes	94,838	95,912
Loans	742,716	713,586
Deposits	1,851,787	1,854,210
Due from other governments	548,411	501,716
Prepaid items	40,089	40,090
Property held for resale	1,230,523	1,230,523
Capital assets, undepreciated (note 4)	14,693,216	13,209,823
Capital assets, net of depreciation (note 4)	<u>16,215,896</u>	<u>17,334,720</u>
Total assets	<u>64,271,345</u>	<u>52,481,033</u>
Liabilities:		
Accounts payable	1,043,564	608,460
Accrued liabilities	124,177	98,145
Interest payable	265,596	192,181
Deposits payable	12,230	12,230
Unearned revenue	443,684	592,075
Long-term liabilities (note 6):		
Due within one year	1,359,050	957,432
Due in more than one year	<u>50,714,228</u>	<u>43,418,574</u>
Total liabilities	<u>53,962,529</u>	<u>45,879,097</u>
Net assets:		
Invested in capital assets, net of related debt	(6,487,493)	(8,112,953)
Restricted for:		
Public safety	-	11,154
Public works	351,560	320,358
Highways and streets	159,271	121,930
Urban development	3,685,576	2,712,773
Health and welfare	198,687	75,462
Unrestricted	<u>12,401,215</u>	<u>11,473,212</u>
Total net assets	<u>\$ 10,308,816</u>	<u>6,601,936</u>

See accompanying notes to the basic financial statements.

CITY OF HAWAIIAN GARDENS

Statement of Activities

Year ended June 30, 2007

	Expenses	Program Revenues			Net Governmental Activities	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2007	2006
Governmental activities:						
General government	\$ 6,062,061	102,814	-	-	(5,959,247)	(6,480,527)
Public safety	3,076,208	568,487	236,689	-	(2,271,032)	(1,694,066)
Public works	1,564,133	281,424	-	-	(1,282,709)	(1,114,824)
Highways and streets	2,114,683	-	1,075,257	-	(1,039,426)	(1,393,613)
Culture and recreations	4,007,930	313,776	211,029	83,129	(3,399,996)	(1,821,046)
Urban development	822,744	-	803,330	-	(19,414)	(571,592)
Health and welfare	926,553	104,680	939,711	-	117,838	57,784
Interest and fiscal charges	3,411,036	-	-	-	(3,411,036)	(2,339,139)
 Total governmental activities	 <u>21,985,348</u>	 <u>1,371,181</u>	 <u>3,266,016</u>	 <u>83,129</u>	 <u>(17,265,022)</u>	 <u>(15,357,023)</u>
General revenues:						
Taxes:						
Property taxes					5,841,469	5,337,310
Business license tax					11,676,652	10,804,786
Sales taxes					690,784	634,205
Franchise taxes					168,341	162,522
Other taxes					62,424	73,352
Motor vehicle in lieu, unrestricted					1,325,587	1,517,327
Investment income					1,237,348	585,675
Other revenues					178,407	524,952
Total general revenues					<u>21,181,012</u>	<u>19,640,129</u>
Change in net assets					3,915,990	4,283,106
Net assets at beginning of year, as restated (note 11)					<u>6,392,826</u>	<u>2,318,830</u>
Net assets at end of year					<u>\$ 10,308,816</u>	<u>6,601,936</u>

See accompanying notes to the basic financial statements.

CITY OF HAWAIIAN GARDENS
Governmental Funds

Balance Sheet
June 30, 2007

	Special Revenue						Totals	
	General	Community Development Block Grant	Low and Moderate Income Housing	Debt Service Redevelopment Agency	Capital Projects Redevelopment Agency	Non-Major Governmental	2007	2006
<u>Assets</u>								
Assets:								
Cash and investments (note 2)	\$ 9,848,434	-	2,691,007	-	6,158,511	817,359	19,515,311	11,199,967
Restricted cash (note 2)	-	-	-	-	20,646	-	20,646	19,147
Cash and investments held by bond trustee (note 2)	-	-	948,517	7,131,367	-	-	8,079,884	5,347,504
Receivables:								
Accounts	1,065,220	-	-	-	-	-	1,065,220	933,835
Interest	172,808	-	-	-	-	-	172,808	-
Notes	-	-	47,995	-	46,843	-	94,838	95,912
Loans	-	742,716	-	-	-	-	742,716	713,586
Deposits	1,851,787	-	-	-	-	-	1,851,787	1,851,787
Due from other governments	45,123	265,314	-	209,787	-	28,187	548,411	504,139
Due from other funds (note 3)	143,454	-	-	-	-	-	143,454	122,384
Prepaid items	37,667	-	-	-	-	2,422	40,089	40,090
Advances to other funds (note 3)	1,863,657	-	-	-	-	-	1,863,657	877,536
Property held for resale	-	-	-	-	1,230,523	-	1,230,523	1,230,523
Total assets	<u>\$ 15,028,150</u>	<u>1,008,030</u>	<u>3,687,519</u>	<u>7,341,154</u>	<u>7,456,523</u>	<u>847,968</u>	<u>35,369,344</u>	<u>22,936,410</u>
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	\$ 760,851	157,749	-	25,726	27,775	71,463	1,043,564	608,460
Accrued liabilities	79,045	9,060	1,943	-	12,091	22,038	124,177	98,145
Deposits payable	-	-	-	-	12,230	-	12,230	12,230
Due to other funds (note 3)	-	98,505	-	-	-	44,949	143,454	122,384
Deferred revenue	692,883	742,716	-	-	-	-	1,435,599	1,237,046
Advances from other funds (note 3)	-	-	-	1,863,657	-	-	1,863,657	877,536
Total liabilities	<u>1,532,779</u>	<u>1,008,030</u>	<u>1,943</u>	<u>1,889,383</u>	<u>52,096</u>	<u>138,450</u>	<u>4,622,681</u>	<u>2,955,801</u>
Fund balances (note 7):								
Reserved	3,753,111	-	47,995	5,451,771	7,456,523	2,422	16,711,822	8,871,945
Unreserved:								
Designated for contingencies	4,000,000	-	-	-	-	-	4,000,000	3,500,000
Undesignated reported in:								
General fund	5,742,260	-	-	-	-	-	5,742,260	4,417,405
Capital projects fund	-	-	-	-	(52,096)	-	(52,096)	-
Special revenue funds	-	-	3,637,581	-	-	707,096	4,344,677	3,191,259
Total fund balances	<u>13,495,371</u>	<u>-</u>	<u>3,685,576</u>	<u>5,451,771</u>	<u>7,404,427</u>	<u>709,518</u>	<u>30,746,663</u>	<u>19,980,609</u>
Total liabilities and fund balances	<u>\$ 15,028,150</u>	<u>1,008,030</u>	<u>3,687,519</u>	<u>7,341,154</u>	<u>7,456,523</u>	<u>847,968</u>	<u>35,369,344</u>	<u>22,936,410</u>

See accompanying notes to the basic financial statements.

CITY OF HAWAIIAN GARDENS
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

June 30, 2007

Fund balances of governmental funds	\$ 30,746,663
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	
Infrastructure	22,918,989
Other capital assets	23,463,612
Accumulated depreciation	(15,473,489)
Long term debt and compensated absences are not included in the governmental funds:	
Bonds payable	(51,635,000)
Compensated absences	(438,278)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(265,596)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	<u>991,915</u>
Net assets of governmental activities	<u>\$ 10,308,816</u>

See accompanying notes to the basic financial statements.

CITY OF HAWAIIAN GARDENS
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2007

	Special Revenue						Totals	
	General	Community Development	Low and Moderate Income Housing	Debt Service Redevelopment Agency	Capital Projects Redevelopment Agency	Non-Major Governmental	2007	2006
		Block Grant	Housing	Agency	Agency	Governmental		
Revenues:								
Taxes	\$ 775,958	-	1,206,594	4,826,374	-	1,033,852	7,842,778	7,084,914
Licenses and permits	12,280,520	-	-	-	-	-	12,280,520	11,490,064
Intergovernmental	1,714,924	803,330	-	-	-	1,250,018	3,768,272	3,704,233
Foundation contributions	83,150	-	-	-	-	-	83,150	506,710
Charges for services	87,900	-	-	-	-	-	87,900	90,381
Fines and penalties	168,314	-	-	-	-	-	168,314	176,779
Rental income	96,786	-	-	-	44,640	-	141,426	1,005,169
Investment income	545,781	-	130,413	288,051	243,481	29,622	1,237,348	585,785
Other revenues	178,763	-	663	-	118	161,947	341,491	466,147
Gain on sale of agency property	-	-	-	-	-	-	-	140,002
Total revenues	15,932,096	803,330	1,337,670	5,114,425	288,239	2,475,439	25,951,199	25,250,184
Expenditures:								
Current:								
General government	3,877,747	33,828	125,831	126,774	771,112	-	4,935,292	4,718,045
Public safety	2,809,079	-	-	-	-	264,594	3,073,673	2,475,614
Public works	970,568	-	-	-	-	236,669	1,207,237	1,204,851
Highways and streets	-	-	-	-	465,284	1,195,394	1,660,678	2,220,587
Culture and recreations	3,126,003	-	-	-	-	-	3,126,003	2,726,177
Urban development	-	703,368	-	227,382	119,376	-	1,050,126	1,673,136
Health and welfare	-	-	-	-	-	916,166	916,166	969,686
Capital projects	2,838,252	390,452	-	-	-	-	3,228,704	1,822,340
Debt service:								
Principal	-	-	20,976	684,024	-	-	705,000	630,000
Interest	152,722	-	218,060	2,413,322	-	-	2,784,104	2,801,435
Payment to bond escrow agent	-	-	-	759,204	-	-	759,204	-
Cost of issuance	-	-	-	389,237	-	-	389,237	-
Total expenditures	13,774,371	1,127,648	364,867	4,599,943	1,355,772	2,612,823	23,835,424	21,241,871
Excess (deficiency) of revenues over (under) expenditures	2,157,725	(324,318)	972,803	514,482	(1,067,533)	(137,384)	2,115,775	4,008,313
Other financing sources (uses):								
Transfers in (note 3)	1,507,367	324,318	-	754,456	8,621,026	320,688	11,527,855	2,136,556
Transfers out (note 3)	(645,006)	-	-	(8,621,026)	(1,507,367)	(754,456)	(11,527,855)	(2,136,556)
Sale of capital assets	-	-	-	-	98,888	-	98,888	240,973
Issuance of long-term debt	-	-	-	12,505,000	-	-	12,505,000	-
Payment to bond escrow agent	-	-	-	(3,934,042)	-	-	(3,934,042)	-
Bond premium	-	-	-	189,543	-	-	189,543	-
Total other financing sources (uses)	862,361	324,318	-	893,931	7,212,547	(433,768)	8,859,389	240,973
Net change in fund balances	3,020,086	-	972,803	1,408,413	6,145,014	(571,152)	10,975,164	4,249,286
Fund balances at beginning of year, as restated (note 11)	10,475,285	-	2,712,773	4,043,358	1,259,413	1,280,670	19,771,499	15,731,323
Fund balances at end of year	\$ 13,495,371	-	3,685,576	5,451,771	7,404,427	709,518	30,746,663	19,980,609

See accompanying notes to the basic financial statements.

CITY OF HAWAIIAN GARDENS

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net changes in fund balances - total governmental funds \$ 10,975,164

Amounts reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	1,621,366
Depreciation	(1,123,021)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (133,776)

The issuance of long-term debt provides current financial resources to the funds but has no effect on net assets. (12,505,000)

The payment to bond escrow agent is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 4,170,000

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 705,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 346,944

The statement of net assets includes the net change in accrued interest on long term debt. (73,415)

To record as an expense the net change in compensated absences in the statement of activities. (67,272)

Change in net assets of governmental activities \$ 3,915,990

See accompanying notes to the basic financial statements.

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

Year ended June 30, 2007

(1) Summary of Significant Accounting Policies

The financial statements of the City of Hawaiian Gardens, California (City) have been prepared in conformity with generally accepted accounting principles (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 of Hawaiian Gardens 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 works, parks and recreation, planning and community development.

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 the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

The following organizations are considered to be component units of the City:

Hawaiian Gardens Redevelopment Agency

The Redevelopment Agency was established on November 27, 1973 pursuant to the State of California Health and Safety Code Section 33000 entitled "Community Redevelopment Law". Its purpose is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Hawaiian Gardens. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Agency. Upon completion, separate financial statements of the Agency can be obtained at City Hall.

Hawaiian Gardens Public Financing Authority

The Hawaiian Gardens Public Financing Authority was established on January 13, 1988 for the purpose of financing public capital improvements. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Authority. Upon completion, separate financial statements of the Authority can be obtained at City Hall.

(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, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The City of Hawaiian Gardens has no 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.

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is 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 not included among program revenues 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 an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other 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 expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds.

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using 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 finance the expenditures accrued for the reporting period. The City uses a sixty day availability period.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange 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.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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 an *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

(c) Major Funds

The City reports the following major governmental funds:

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

Community Development Block Grant 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.

Low and Moderate Income Housing Fund – Used to account for monies received and expended to assist low and moderate income households.

Redevelopment Agency Debt Service Fund – Used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs on the tax allocation bonds and certificates of participation of the Redevelopment Agency.

Redevelopment Agency Capital Projects Fund - Used to account for financial resources to be used for the acquisition or construction of major capital facilities related to the Redevelopment Agency.

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(d) Cash and Investments

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

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

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

(e) Due From Other Governments

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, and motor vehicle in-lieu taxes, collected or provided by Federal, State, County and City Governments and unremitted to the City as of June 30, 2007.

(f) Capital Assets

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

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

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

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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

Infrastructure – Road System	25-75 years
Buildings and Improvements	25-50 years
Furniture and Equipment	7-30 years
Vehicles	10-30 years

(g) Compensated Absences

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probably that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is 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 as 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.

(h) 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. Accordingly, such claims are recorded as liabilities in the appropriate governmental fund.

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

(j) Property Tax Calendar

The County of Los Angeles assesses, levies, and collects property taxes for the City. Property taxes levied for the year ended June 30, 2007 were due and payable in two installments on November 1 and February 1 and became delinquent on December 10 and April 10, respectively. At the date of incorporation, the City elected to be a no/low property tax city as an incentive for current and prospective residents to reside in the City.

The property tax calendar is as follows:

Lien Date:	March 1
Levy Date:	July 1
Due Date:	First Installment – November 1 Second Installment – February 1
Delinquent Date:	First Installment – December 10 Second Installment – April 10

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

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

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(k) Property Held for Resale

The City of Hawaiian Gardens acquired several parcels of land as part of its primary purpose to develop or redevelop blighted areas. The properties are held in the Redevelopment Agency Capital Projects Fund at the lower of cost or estimated net realizable value.

(l) Prior Year Data

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

(2) Cash and Investments

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 19,515,311
Restricted cash	20,646
Cash and investments held by bond trustee	<u>8,079,884</u>
Total cash and investments	<u>\$ 27,615,841</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 1,879
Deposits with financial institutions	2,605,138
Investments	<u>25,008,824</u>
Total cash and investments	<u>\$ 27,615,841</u>

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment in One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	180 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	15%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

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

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk. The permitted investments are as follows:

2004 Tax Allocation Bonds

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Pre-refunded Municipal Obligations	None	None	None
Local Agency Investment Fund	None	None	None
Investment Contracts	30 years	None	None

2000 Certificates of Participation

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
State Long-term Obligations	None	None	None
State Short-term Obligations	None	None	None
Banker's Acceptances	None	None	None
Commercial Paper	270 days	None	None
Interest-bearing Time Deposits	None	None	None
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	None	None
Pre-refunded Municipal Obligations	None	None	None
Diversified Open-end Management Investment Company Shares	None	None	None
Local Agency Investment Fund	None	None	None

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements, Continued

2006 Tax Allocation Bonds

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Pre-refunded Municipal Obligations	None	None	None
Local Agency Investment Fund	None	None	None
Investment Contracts	30 years	None	None

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 a 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 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>Total</u>	<u>Remaining Maturity (in Years)</u>			
		<u>1 Year or less</u>	<u>1 to 5 Years</u>	<u>6 to 15 Years</u>	<u>16 to 28 Years</u>
U.S. Agency Securities	\$ 1,000,000	1,000,000	-	-	-
State Investment Pool	15,926,611	15,926,611	-	-	-
Held by bond trustee:					
Investment Agreement	2,675,015	-	-	799,500	1,875,515
U.S. Agency Securities	959,050	959,050	-	-	-
Money Market Funds	4,448,148	4,448,148	-	-	-
Total	\$25,008,824	22,333,809	-	799,500	1,875,515

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Ratings as of Year End</u>			<u>Not Rated</u>
			<u>AAA</u>	<u>AA</u>	<u>A</u>	
U.S. Agency Securities	\$ 1,000,000	N/A	-	-	-	1,000,000
State Investment Pool	15,926,611	N/A	-	-	-	15,926,611
Held by bond trustee:						
Investment Agreement	2,675,015	N/A	-	1,875,515	799,500	-
U.S. Agency Securities	959,050	N/A	-	-	-	959,050
Money Market Funds	<u>4,448,148</u>	N/A	<u>4,448,148</u>	-	-	-
Total	<u>\$ 25,008,824</u>		<u>4,448,148</u>	<u>1,875,515</u>	<u>799,500</u>	<u>17,885,661</u>

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. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
MBIA Investment Agmt Inc	Investment Agreement	\$1,875,515
Transamerica Funding Agmt	Investment Agreement	799,500
Federal Home Loan Bank.	U.S. Agency Securities	959,050

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2007, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Investment Agreement	\$ 2,675,015
U.S. Agency Securities	959,050
Money Market Funds	4,448,148

For investments identified herein as held by bond trustee, the bond 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 the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF HAWAIIAN GARDENS
Notes to the Basic Financial Statements
(Continued)

(3) Interfund Receivables and Payables

Current interfund receivables and payables as of June 30, 2007 are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Community Development Block Grant	
	Special Revenue Fund	\$ 98,505
	Nonmajor Governmental Funds	<u>44,949</u>
		<u>\$143,454</u>

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

Noncurrent interfund receivables and payables as of June 30, 2007 are as follows:

<u>Advances to other funds</u>	<u>Advances from other funds</u>	<u>Amount</u>
General Fund	Redevelopment Agency	
	Debt Service Fund	<u>\$1,863,657</u>
		<u>\$1,863,657</u>

In February 2001 the General Fund advanced to the Redevelopment Agency Debt Service Fund \$3,303,382 at an interest rate of 10% to be paid back by February 2016. This advance agreement was made pursuant to a Disposition Development Agreement 93-26 and Amendments No. 1 and No. 2, whereby the Redevelopment Agency Debt Service fund agreed to provide and pay for on-site and off-site improvements and fees levied in connection with developing a card club and associated facilities. The amount outstanding at June 30, 2007 is \$1,863,657.

CITY OF HAWAIIAN GARDENS
Notes to the Basic Financial Statements
(Continued)

(3) Interfund Receivables and Payables, (Continued)

Transfers in and out for the year ended June 30, 2007 were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 320,688 (1)
	Community Development Block Grant	
	Special Revenue Fund	324,318 (1)
Redevelopment Agency		
Capital Projects Fund	General Fund	1,507,367 (2)
Redevelopment Agency	Redevelopment Agency	
Debt Service Fund	Capital Projects Fund	8,621,026 (3)
Nonmajor Governmental	Redevelopment Agency	
Funds	Debt Service Fund	<u>754,456 (4)</u>
		<u>\$11,527,855</u>

- (1) To cover negative cash balances and fund deficits at year end.
- (2) To reimburse the General Fund for related capital project expenditures.
- (3) To transfer the cash that was advanced from the General Fund to cover operating activities in the Redevelopment Agency Capital Projects Fund and to transfer the proceeds from the 2006 Tax Allocation Bonds.
- (4) To record the transfer of funds from the Public Financing Authority that was provided for payment to the bond escrow agent relating to the defeasance of the 2000 Certificates of Participation.

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(4) Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2007:

<u>Government Activities:</u>	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2007</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 7,566,779	-	-	7,566,779
Furniture and equipment	352,300	-	-	352,300
Vehicles	873,896	25,973	(48,552)	851,317
Infrastructure – road system	<u>22,918,989</u>	-	-	<u>22,918,989</u>
Total capital assets being depreciated	<u>31,711,964</u>	<u>25,973</u>	<u>(48,552)</u>	<u>31,689,385</u>
Less accumulated depreciation:				
Buildings and improvements	(3,399,190)	(184,447)	-	(3,583,637)
Furniture and equipment	(172,210)	(24,369)	-	(196,579)
Vehicles	(276,974)	(35,125)	26,776	(285,323)
Infrastructure – road system	<u>(10,528,870)</u>	<u>(879,080)</u>	-	<u>(11,407,950)</u>
Total accumulated depreciation	<u>(14,377,244)</u>	<u>(1,123,021)</u>	<u>26,776</u>	<u>(15,473,489)</u>
Total capital assets being depreciated, net	<u>17,334,720</u>	<u>(1,097,048)</u>	<u>(21,776)</u>	<u>16,215,896</u>
Capital assets not depreciated:				
Rights-of-way	3,290,005	-	-	3,290,005
Land	5,359,474	85,820	-	5,445,294
Construction in progress	<u>4,560,344</u>	<u>1,509,573</u>	<u>(112,000)</u>	<u>5,957,917</u>
Total capital assets not being depreciated	<u>13,209,823</u>	<u>1,595,393</u>	<u>(112,000)</u>	<u>14,693,216</u>
Capital assets, net	<u>\$ 30,544,543</u>	<u>498,345</u>	<u>(133,776)</u>	<u>30,909,112</u>

Depreciation expense was charged in the following functions in the Statement of Activities:

General government	\$ 982,983
Culture and recreations	109,354
Public safety	2,535
Public works	21,126
Health and welfare	7,023
	<u>\$ 1,123,021</u>

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(5) Defined Benefit Pension Plan

Plan Description

The City of Hawaiian Gardens contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, California 95814.

Contributions

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and city contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2006 to June 30, 2007 has been determined by an actuarial valuation of the plan as of June 30, 2004. The contribution rate indicated for the period is 18.44% of payroll. The City's covered payroll for PERS was \$3,535,574 for the year ended June 30, 2007, while the City's total payroll for all employees was \$4,084,475 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2006, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2006 to June 30, 2007.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 316,828	100%	-0-
6/30/06	480,454	100%	-0-
6/30/07	555,287	100%	-0-

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities

The following is a summary of changes in general long-term debt of the City for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due Beyond One Year</u>
Compensated Absences	\$ 371,006	176,963	(109,691)	438,278	209,050	229,228
1999 Tax Allocation Refunding Bonds	5,305,000	-	(545,000)	4,760,000	575,000	4,185,000
2000 Hawaiian Gardens Public Financing Authority Certificates of Participation	4,170,000	-	(4,170,000)	-	-	-
2004 Tax Allocation Revenue Bonds	34,530,000	-	(160,000)	34,370,000	160,000	34,210,000
2006 Tax Allocation Bonds	<u>-</u>	<u>12,505,000</u>	<u>-</u>	<u>12,505,000</u>	<u>415,000</u>	<u>12,090,000</u>
	<u>\$44,376,006</u>	<u>12,681,963</u>	<u>(4,984,691)</u>	<u>52,073,278</u>	<u>1,359,050</u>	<u>50,714,228</u>

1999 Tax Allocation Refunding Bonds

In October 1999, the Agency issued \$7,995,000 Redevelopment Project No. 1 Tax Allocation Refunding Bonds (1999 Refunding Bonds). The 1999 Refunding Bonds were issued to currently refund the Agency's outstanding \$7,335,000 1988 Tax Allocation Refunding Bonds.

Interest on the 1999 Refunding Bonds is payable semi-annually on June 1 and December 1, commencing June 1, 2001, at rates ranging from 4.75% to 6.0% per annum. Bonds maturing in the years 2001 to 2009 are serial bonds payable on December 1 of each year, commencing 2001 through 2009. The bonds are secured by a pledge of 80% of Project Area No. 1 tax increment revenues.

Bonds maturing in the years 2001 to 2009 are serial bonds payable December 1 in annual installments of \$340,000 to \$635,000. Bonds maturing on December 1, 2013 in the amount of \$2,945,000 are term bonds. The outstanding bonds (serial and term) bear interest at 4.75% to 6.0% per annum, which is due June 1 and December 1 of each year commencing June 1, 2001. The bonds are secured by a pledge of 80% of Project Area No. 1 tax increment revenues.

The bonds maturing after December 1, 2009 may be redeemed prior to maturity at the option of the Agency with premiums not exceeding 2%.

The legal debt service reserve required by the 1999 Refunding Bonds was \$530,500. As of June 30, 2007 the reserve was \$799,500.

At June 30, 2007 bonds outstanding on the 1999 Refunding Bonds were \$4,760,000.

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

2004 Tax Allocation Revenue Bonds

In May 2004, the Agency issued \$34,530,000 Tax Allocation Revenue Bonds. Proceeds of the sale of the Bonds were used to purchase the Agency Bonds. The Bonds were issued to provide funds for the Authority to purchase the Agency Bonds from the Agency. The Agency Bonds were issued to refund the outstanding 1993 Tax Allocation Refunding Bonds. The Agency Bonds are being used to finance and refinance redevelopment activities of the Agency with respect to its Redevelopment Project No. 1 (the "Project Area"). The lien of the Agency Bonds on the Tax Revenues will rank equally with the lien of the Tax Revenues of the Agency's \$7,995,000 aggregate original principal amount Redevelopment Project No. 1 1999 Tax Allocation Refunding Bonds (the "1999 Bonds").

Interest on the 2004 Refunding 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 to 2023 are term bonds payable on December 1 of each year, commencing 2006 through 2023. 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 on or after December 1, 2014 from and to the extent of optional redemption of Agency Bonds by the Agency, from available funds, at the redemption price of 100% of the principle amount plus accrued interest.

The legal debt service reserve required by the 2004 Refunding Bonds was \$1,875,245. As of June 30, 2007, the fully refunded reserve was \$1,875,515. At June 30, 2007, bonds outstanding on the 2004 Revenue bonds were \$34,370,000.

2006 Tax Allocation Bonds

In July 2006, the Agency issued Tax Allocation Bonds – Series A & B in the amount of \$7,730,000 and \$4,775,000, respectively. The bonds were issued to finance redevelopment activities and to prepay its obligations under a Reimbursement Agreement between the Agency and the City under which the Agency was obligated to reimburse the City for lease payments that had been certificated as the City's 2000 Certificates of Participation. A portion of the proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the 2000 Certificates of Participation. This advance refunding was undertaken to reduce total debt service payments over the next 16 years by \$1,695,284 and resulted in an economic gain of \$455,282. The interest rate on the bonds range from 3.7% to 5.4% and the final maturity date is December 1, 2025. Interest on the bonds is due June 1 and December 1 of each year, commencing December 1, 2006.

The legal debt service reserve required by the 2006 Tax Allocation Bonds was \$410,770. As of June 30, 2007 the reserve was \$410,770. At June 30, 2007, bonds outstanding on the 2006 Tax Allocation Bonds were \$12,505,000.

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

Minimum annual requirements to amortize long-term debt of the City as of June 30, 2007 are as follows:

Year Ending June 30,	1999		2004		2006		Totals
	Tax Allocation Refunding Bonds		Tax Allocation Revenue Bonds		Tax Allocation Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	
2008	\$ 575,000	260,353	160,000	1,660,114	415,000	624,818	3,695,285
2009	605,000	228,263	165,000	1,656,452	430,000	606,913	3,691,628
2010	635,000	194,163	170,000	1,651,839	450,000	587,473	3,688,475
2011	675,000	156,450	170,000	1,646,739	470,000	567,163	3,685,352
2012	715,000	114,750	175,000	1,641,127	495,000	545,913	3,686,790
2013	755,000	70,650	185,000	1,634,595	515,000	521,973	3,682,218
2014	800,000	24,000	195,000	1,627,227	540,000	497,043	3,683,270
2015	-	-	1,050,000	1,599,702	565,000	470,898	3,685,600
2016	-	-	1,095,000	1,552,698	600,000	442,663	3,690,361
2017	-	-	1,145,000	1,504,245	625,000	412,668	3,686,913
2018	-	-	1,195,000	1,452,521	655,000	381,420	3,683,941
2019	-	-	1,245,000	1,397,486	695,000	347,650	3,685,136
2020	-	-	1,305,000	1,336,475	725,000	311,820	3,678,295
2021	-	-	1,370,000	1,271,381	765,000	274,450	3,680,831
2022	-	-	1,435,000	1,204,329	805,000	235,000	3,679,329
2023	-	-	1,505,000	1,130,239	840,000	193,490	3,668,729
2024	-	-	1,580,000	1,049,258	890,000	150,170	3,669,428
2025	-	-	1,610,000	967,935	990,000	104,270	3,672,205
2026	-	-	1,690,000	886,260	1,035,000	53,290	3,664,550
2027	-	-	1,775,000	800,501	-	-	2,575,501
2028	-	-	1,860,000	710,535	-	-	2,570,535
2029	-	-	1,955,000	615,625	-	-	2,570,625
2030	-	-	2,050,000	515,500	-	-	2,565,500
2031	-	-	2,155,000	410,375	-	-	2,565,375
2032	-	-	2,260,000	300,000	-	-	2,560,000
2033	-	-	2,375,000	184,125	-	-	2,559,125
2034	-	-	2,495,000	62,375	-	-	2,557,375
Totals	\$ 4,760,000	1,048,629	34,370,000	30,469,658	12,505,000	7,329,085	90,482,372

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Liabilities, (Continued)

Defeasance of Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt issues. Accordingly, the trust account assets and the liability for the defeased debt issues are not included in the City's financial statements.

At June 30, 2007, the following amounts are considered defeased:

1986 Tax Allocation Bonds	\$3,035,000
2000 Certificates of Participation	4,045,000

(7) Fund Balances

Fund balances at June 30, 2007 consisted of the following reserves and designations:

	<u>General</u>	<u>Special Revenue Low and Moderate Income Housing</u>	<u>Debt Service Redevelopment Agency</u>	<u>Capital Projects Redevelopment Agency</u>	<u>Non-Major Governmental</u>	<u>Total</u>
Reserved for:						
Restricted cash	\$ -	-	-	20,646	-	20,646
Receivables	-	47,995	-	46,843	-	94,838
Deposits	1,851,787	-	-	-	-	1,851,787
Prepaid items	37,667	-	-	-	2,422	40,089
Advances to other funds	1,863,657	-	-	-	-	1,863,657
Property held for resale	-	-	-	1,230,523	-	1,230,523
Debt service	-	-	5,451,771	-	-	5,451,771
Capital projects	-	-	-	6,158,511	-	6,158,511
Subtotal	<u>3,753,111</u>	<u>47,995</u>	<u>5,451,771</u>	<u>7,456,523</u>	<u>2,422</u>	<u>16,711,822</u>
Unreserved:						
Designated for:						
Contingencies	4,000,000	-	-	-	-	4,000,000
Undesignated	<u>5,742,260</u>	<u>3,637,581</u>	<u>-</u>	<u>(52,096)</u>	<u>707,096</u>	<u>10,034,841</u>
Total fund balances	<u>\$13,495,371</u>	<u>3,685,576</u>	<u>5,451,771</u>	<u>7,404,427</u>	<u>709,518</u>	<u>30,746,663</u>

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(8) Liability, Property and Workers Compensation Protection

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

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 114 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 coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

B. Self-Insurance Programs of the Authority

General Liability Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$10,000,000, \$18,000,000 to \$23,000,000, and \$45,000,000 to \$50,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$10,000,000 to \$18,000,000 and \$23,000,000 to \$45,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

Workers Compensation The City also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$200,000,000 are

CITY OF HAWAIIAN GARDENS

Notes to the Basic Financial Statements

(Continued)

(8) Liability, Property and Workers Compensation Protection, (Continued)

transferred to reinsurance carriers. Costs in excess of \$200,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Authority's investment earnings.

C. Purchased Insurance

Property Insurance The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$14,619,942. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance The City purchases earthquake and flood insurance on a portion of its property. The earthquake and flood insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$13,756,434. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

D. Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

(9) Debt Without Government Commitment

On September 27, 1994, the cities of Hawaiian Gardens, Norwalk and Paramount signed a joint powers agreement creating the Tri-City Housing Finance Agency (Agency), a joint powers authority. On December 1, 1994, the Agency issued \$20,000,000 of Tri-City Housing Finance Agency 1994 Single Family Mortgage Revenue Bonds (Fannie Mae and Ginnie Mae Mortgaged-Backed Securities Program) for the purpose of financing home mortgages secured by homes within the cities. The outstanding debt at June 30, 2007 was \$155,000. These bonds do not constitute a debt or an obligation of the Agency because the bonds are solely payable from and secured by assets and revenues of other parties. The bonds are therefore not recorded as a liability of the City in the accompanying financial statements.

CITY OF HAWAIIAN GARDENS
Notes to the Basic Financial Statements
(Continued)

(10) Expenditures in Excess of Appropriations

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2007:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Community Development Block Grant Fund Special Revenue Fund	\$ 1,115,908	1,127,648	(11,740)
Low and Moderate Income Housing Special Revenue Fund	105,767	364,867	(259,100)
Local Transportation Special Revenue Fund	-	7,123	(7,123)
Proposition C Local Transit Assistance Special Revenue Fund	319,892	341,216	(21,324)
Proposition A Local Transit Assistance Special Revenue Fund	367,734	379,959	(12,225)
Lighting and Landscaping Special Revenue Fund	234,038	236,669	(2,631)

CITY OF HAWAIIAN GARDENS
Notes to the Basic Financial Statements
(Continued)

(11) Restatement of Beginning Net Assets

The accompanying financial statements reflect adjustments that resulted in the restatement of beginning net assets of the General Fund to record the accrual of expenses incurred in the prior year. The following summarizes the effect of the prior period adjustment to the beginning net assets as of July 1, 2006:

	<u>General Fund</u>	<u>Governmental Activities</u>
Net assets – beginning of year, as previously reported	\$10,684,395	6,601,936
To record the accrual of public safety expenses incurred in the prior year	<u>(209,110)</u>	<u>(209,110)</u>
Net assets - beginning of year, as restated	<u>\$10,475,285</u>	<u>6,392,826</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAWAIIAN GARDENS

Notes to Required Supplementary Information

Year Ended June 30, 2007

(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. City Council may amend the budget by resolution during the fiscal year. The City Manager is authorized to transfer funds appropriated within the same fund.

The level at which the expenditures may not legally exceed appropriations is the fund level.

Formal budgetary integration is not employed for debt service funds or capital project funds because effective budgetary control is alternatively achieved through trust indenture provisions. Legally adopted budgets for all governmental funds are established on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council.

Supplemental amendments were made during the year and have been reflected in the financial statements, resulting in an increase of total appropriations in the amount of \$896,000.

(2) Expenditures in Excess of Appropriations

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2007:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Community Development Block Grant Fund			
Special Revenue Fund	\$ 1,115,908	1,127,648	(11,740)
Low and Moderate Income Housing			
Special Revenue Fund	105,767	364,867	(259,100)

CITY OF HAWAIIAN GARDENS
General Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2007

	Budgeted Amounts		2007 Actual	Variance- Positive (Negative)	2006 Actual
	Original	Final			
Revenues:					
Taxes	\$ 707,000	707,000	775,958	68,958	665,203
Licenses and permits	11,339,700	12,139,700	12,280,520	140,820	11,490,064
Intergovernmental	2,715,500	2,715,500	1,714,924	(1,000,576)	2,102,605
Foundation contributions	1,000	1,000	83,150	82,150	506,710
Charges for services	53,100	53,100	87,900	34,800	90,381
Fines and penalties	134,000	134,000	168,314	34,314	176,779
Rental income	109,600	109,600	96,786	(12,814)	528,285
Investment income	390,000	440,000	545,781	105,781	271,914
Other revenues	236,750	236,750	178,763	(57,987)	414,250
Total revenues	15,686,650	16,536,650	15,932,096	(604,554)	16,246,191
Expenditures:					
Current:					
General government	3,884,418	4,067,418	3,877,747	189,671	3,724,109
Public safety	2,544,214	2,619,214	2,809,079	(189,865)	2,374,324
Public works	817,644	852,644	970,568	(117,924)	897,494
Culture and recreations	3,395,385	3,418,385	3,126,003	292,382	2,726,177
Capital projects	14,544,512	15,124,512	2,838,252	12,286,260	1,822,340
Debt service:					
Principal	-	-	-	-	115,000
Interest	-	-	152,722	(152,722)	344,600
Total expenditures	25,186,173	26,082,173	13,774,371	12,307,802	12,004,044
Excess (deficiency) of revenues over (under) expenditures	(9,499,523)	(9,545,523)	2,157,725	11,703,248	4,242,147
Other financing sources (uses):					
Transfers in	1,507,367	1,507,367	1,507,367	-	-
Transfers out	(645,006)	(645,006)	(645,006)	-	(605,271)
Total other financing sources (uses)	862,361	862,361	862,361	-	(605,271)
Net change in fund balances	(8,637,162)	(8,683,162)	3,020,086	11,703,248	3,636,876
Fund balances at beginning of year, as restated	10,475,285	10,475,285	10,475,285	-	7,047,519
Fund balances at end of year	\$ 1,838,123	1,792,123	13,495,371	11,703,248	10,684,395

CITY OF HAWAIIAN GARDENS
Community Development Block Grant Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		2007	Variance-	2006
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)	<u>Actual</u>
Revenues:					
Intergovernmental	\$ 379,126	379,126	803,330	424,204	466,230
Investment income	-	-	-	-	109
Total revenues	<u>379,126</u>	<u>379,126</u>	<u>803,330</u>	<u>424,204</u>	<u>466,339</u>
Expenditures:					
Current:					
General government	33,000	33,000	33,828	(828)	34,475
Urban development	951,096	951,096	703,368	247,728	720,651
Capital projects	<u>131,812</u>	<u>131,812</u>	<u>390,452</u>	<u>(258,640)</u>	<u>-</u>
Total expenditures	<u>1,115,908</u>	<u>1,115,908</u>	<u>1,127,648</u>	<u>(11,740)</u>	<u>755,126</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(736,782)</u>	<u>(736,782)</u>	<u>(324,318)</u>	<u>412,464</u>	<u>(288,787)</u>
Other financing sources (uses):					
Transfers in	-	-	324,318	324,318	279,550
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>324,318</u>	<u>324,318</u>	<u>279,550</u>
Change in fund balances	(736,782)	(736,782)	-	736,782	(9,237)
Fund balances at beginning of year	-	-	-	-	9,237
Fund balances (deficit) at end of year	<u>\$ (736,782)</u>	<u>(736,782)</u>	<u>-</u>	<u>736,782</u>	<u>-</u>

CITY OF HAWAIIAN GARDENS
 Low and Moderate Income Housing
 Schedule of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2007

	Budgeted Amounts		2007 Actual	Variance- Positive (Negative)	2006 Actual
	Original	Final			
Revenues:					
Taxes	\$ -	-	1,206,594	1,206,594	1,074,715
Investment income	-	-	130,413	130,413	82,241
Other revenues	-	-	663	663	-
Total revenues	-	-	1,337,670	1,337,670	1,156,956
Expenditures:					
Current:					
General government	105,767	105,767	125,831	(20,064)	205,173
Debt service:					
Principal	-	-	20,976	(20,976)	-
Interest	-	-	218,060	(218,060)	218,270
Total expenditures	105,767	105,767	364,867	(259,100)	423,443
Net change in fund balances	(105,767)	(105,767)	972,803	1,078,570	733,513
Fund balances at beginning of year	2,712,773	2,712,773	2,712,773	-	1,979,260
Fund balances (deficit) at end of year	\$ 2,607,006	2,607,006	3,685,576	1,078,570	2,712,773

CITY OF HAWAIIAN GARDENS
Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2007

	Special Revenue Funds			
	State Gas Tax	Local Transportation	Air Quality Management District	Proposition C Local Transit Assistance
<u>Assets</u>				
Cash and investments	\$ 5,710	14,770	138,302	3,638
Cash and investments held by bond trustee	-	-	-	-
Prepaid items	2,422	-	-	-
Due from other governments	-	-	13,322	-
Total assets	\$ 8,132	14,770	151,624	3,638
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 3,812	7,123	-	-
Accrued liabilities	4,320	-	-	3,638
Due to other funds	-	-	-	-
Total liabilities	8,132	7,123	-	3,638
Fund balances:				
Reserved for:				
Prepaid items	2,422	-	-	-
Debt service	-	-	-	-
Unreserved:				
Undesignated	(2,422)	7,647	151,624	-
Total fund balances	-	7,647	151,624	-
Total liabilities and fund balances	\$ 8,132	14,770	151,624	3,638

Proposition A	Special Revenue Funds				Debt Service Public Financing Authority	Totals	
	Local Transit Assistance	Community Oriented Police Services (COPS)	Housing Authority	Lighting and Landscaping		2007	2006
4,937	21,948	269,522	358,532	-	817,359	594,318	
-	-	-	-	-	-	751,766	
-	-	-	-	-	2,422	2,423	
-	-	-	14,865	-	28,187	23,287	
<u>4,937</u>	<u>21,948</u>	<u>269,522</u>	<u>373,397</u>	<u>-</u>	<u>847,968</u>	<u>1,371,794</u>	
-	21,948	18,741	19,839	-	71,463	30,734	
4,937	-	7,145	1,998	-	22,038	15,441	
-	-	44,949	-	-	44,949	44,949	
<u>4,937</u>	<u>21,948</u>	<u>70,835</u>	<u>21,837</u>	<u>-</u>	<u>138,450</u>	<u>91,124</u>	
-	-	-	-	-	2,422	2,423	
-	-	-	-	-	-	751,766	
-	-	198,687	351,560	-	707,096	526,481	
-	-	198,687	351,560	-	709,518	1,280,670	
<u>4,937</u>	<u>21,948</u>	<u>269,522</u>	<u>373,397</u>	<u>-</u>	<u>847,968</u>	<u>1,371,794</u>	

CITY OF HAWAIIAN GARDENS
Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2007

	Special Revenue Funds			
	State Gas Tax	Local Transportation	Air Quality Management District	Proposition C Local Transit Assistance
Revenues:				
Taxes	\$ 290,157	-	27,236	211,172
Intergovernmental	-	6,945	-	-
Investment income	-	702	9,581	-
Other revenues	<u>135,683</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>425,840</u>	<u>7,647</u>	<u>36,817</u>	<u>211,172</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Highways and streets	467,096	7,123	-	341,216
Health and welfare	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>467,096</u>	<u>7,123</u>	<u>-</u>	<u>341,216</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,256)</u>	<u>524</u>	<u>36,817</u>	<u>(130,044)</u>
Other financing sources (uses):				
Transfers in	41,256	-	-	130,044
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>41,256</u>	<u>-</u>	<u>-</u>	<u>130,044</u>
Net change in fund balances	-	524	36,817	-
Fund balances at beginning of year	<u>-</u>	<u>7,123</u>	<u>114,807</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>7,647</u>	<u>151,624</u>	<u>-</u>

Proposition A	Special Revenue Funds			Debt Service Public Financing Authority	Totals		
	Local Transit Assistance	Community Oriented Police Services (COPS)	Housing Authority		Lighting and Landscaping	2007	2006
254,065	-	-	251,222	-	1,033,852	1,046,134	
-	217,089	1,025,984	-	-	1,250,018	1,135,398	
-	-	-	16,649	2,690	29,622	23,307	
12,857	-	13,407	-	-	161,947	51,897	
<u>266,922</u>	<u>217,089</u>	<u>1,039,391</u>	<u>267,871</u>	<u>2,690</u>	<u>2,475,439</u>	<u>2,256,736</u>	
-	-	-	-	-	-	4,181	
-	264,594	-	-	-	264,594	101,290	
-	-	-	236,669	-	236,669	307,357	
379,959	-	-	-	-	1,195,394	1,114,013	
-	-	916,166	-	-	916,166	969,686	
<u>379,959</u>	<u>264,594</u>	<u>916,166</u>	<u>236,669</u>	<u>-</u>	<u>2,612,823</u>	<u>2,496,527</u>	
<u>(113,037)</u>	<u>(47,505)</u>	<u>123,225</u>	<u>31,202</u>	<u>2,690</u>	<u>(137,384)</u>	<u>(239,791)</u>	
113,037	36,351	-	-	-	320,688	265,398	
-	-	-	-	(754,456)	(754,456)	-	
<u>113,037</u>	<u>36,351</u>	<u>-</u>	<u>-</u>	<u>(754,456)</u>	<u>(433,768)</u>	<u>265,398</u>	
-	(11,154)	123,225	31,202	(751,766)	(571,152)	25,607	
-	11,154	75,462	320,358	751,766	1,280,670	1,255,063	
<u>-</u>	<u>-</u>	<u>198,687</u>	<u>351,560</u>	<u>-</u>	<u>709,518</u>	<u>1,280,670</u>	

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SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues and the related expenditures which are legally required to be accounted for in a separate fund. Funds included are:

State Gas Tax Fund

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

Local Transportation Fund

To account for the receipt and disbursement of funds received per Transportation Development Act Article 3 (SB 821) of the Bikeway and Pedestrian Program and the State and Local Fiscal Assistance Act of 1972.

Air Quality Management District 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.

Community Oriented Police Services (COPS)

To account for Federal and State funds received for policing and law enforcement activities.

Housing Authority

To account for the receipt and expenditure of Federal and State funds related to housing programs.

Lighting and Landscaping

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

CITY OF HAWAIIAN GARDENS
State Gas Tax Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2007

	Budgeted Amounts		2007 Actual	Variance- Positive (Negative)	2006 Actual
	Original	Final			
Revenues:					
Taxes	\$ 290,000	290,000	290,157	157	290,872
Investment income	-	-	-	-	12,962
Other revenues	-	136,000	135,683	(317)	50,889
Total revenues	<u>290,000</u>	<u>426,000</u>	<u>425,840</u>	<u>(160)</u>	<u>354,723</u>
Expenditures:					
Current:					
Highways and streets	<u>517,621</u>	<u>517,621</u>	<u>467,096</u>	<u>50,525</u>	<u>408,010</u>
Total expenditures	<u>517,621</u>	<u>517,621</u>	<u>467,096</u>	<u>50,525</u>	<u>408,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(227,621)</u>	<u>(91,621)</u>	<u>(41,256)</u>	<u>50,365</u>	<u>(53,287)</u>
Other financing sources (uses):					
Transfers in	-	-	41,256	41,256	50,864
Total other financing sources (uses)	-	-	41,256	41,256	50,864
Net change in fund balances	(227,621)	(91,621)	-	91,621	(2,423)
Fund balances at beginning of year	-	-	-	-	2,423
Fund balances (deficit) at end of year	<u>\$ (227,621)</u>	<u>(91,621)</u>	<u>-</u>	<u>91,621</u>	<u>-</u>

CITY OF HAWAIIAN GARDENS
Local Transportation Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007

	Budgeted Amounts		2007 Actual	Variance- Positive (Negative)	2006 Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ -	-	6,945	6,945	-
Investment income	-	-	702	702	-
Total revenues	-	-	7,647	7,647	-
Expenditures:					
Current:					
Highways and streets	-	-	7,123	(7,123)	-
Total expenditures	-	-	7,123	(7,123)	-
Net change in fund balances	-	-	524	524	-
Fund balances at beginning of year	7,123	7,123	7,123	-	7,123
Fund balances at end of year	\$ 7,123	7,123	7,647	524	7,123

CITY OF HAWAIIAN GARDENS
Air Quality Management District Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2007

	Budgeted Amounts		2007 Actual	Variance- Positive (Negative)	2006 Actual
	Original	Final			
Revenues:					
Taxes	\$ 14,800	14,800	27,236	12,436	18,985
Investment income	-	-	9,581	9,581	-
Total revenues	<u>14,800</u>	<u>14,800</u>	<u>36,817</u>	<u>22,017</u>	<u>18,985</u>
Expenditures:					
Current:					
General government	<u>7,600</u>	<u>7,600</u>	-	7,600	4,181
Total expenditures	<u>7,600</u>	<u>7,600</u>	-	7,600	4,181
Net change in fund balances	7,200	7,200	36,817	29,617	14,804
Fund balances at beginning of year	<u>114,807</u>	<u>114,807</u>	<u>114,807</u>	-	<u>100,003</u>
Fund balances at end of year	<u>\$ 122,007</u>	<u>122,007</u>	<u>151,624</u>	<u>29,617</u>	<u>114,807</u>

CITY OF HAWAIIAN GARDENS
Proposition C Local Transit Assistance

Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2007

	Budgeted Amounts		2007	Variance-	2006
	Original	Final	Actual	Positive (Negative)	Actual
Revenues:					
Taxes	\$ 185,000	185,000	211,172	26,172	217,849
Total revenues	<u>185,000</u>	<u>185,000</u>	<u>211,172</u>	<u>26,172</u>	<u>217,849</u>
Expenditures:					
Current:					
Highways and streets	319,892	319,892	341,216	(21,324)	329,923
Total expenditures	<u>319,892</u>	<u>319,892</u>	<u>341,216</u>	<u>(21,324)</u>	<u>329,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(134,892)</u>	<u>(134,892)</u>	<u>(130,044)</u>	<u>4,848</u>	<u>(112,074)</u>
Other financing sources (uses):					
Transfers in	-	-	130,044	130,044	112,074
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>130,044</u>	<u>130,044</u>	<u>112,074</u>
Net change in fund balances	(134,892)	(134,892)	-	134,892	-
Fund balances at beginning of year	-	-	-	-	-
Fund balances (deficit) at end of year	<u>\$ (134,892)</u>	<u>(134,892)</u>	<u>-</u>	<u>134,892</u>	<u>-</u>

CITY OF HAWAIIAN GARDENS
 Proposition A Local Transit Assistance

Schedule of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2007

	Budgeted Amounts		2007	Variance-	2006
	Original	Final	Actual	Positive (Negative)	Actual
Revenues:					
Taxes	\$ 247,000	247,000	254,065	7,065	272,612
Other revenues	450	450	12,857	12,407	1,008
Total revenues	<u>247,450</u>	<u>247,450</u>	<u>266,922</u>	<u>19,472</u>	<u>273,620</u>
Expenditures:					
Current:					
Highways and streets	367,734	367,734	379,959	(12,225)	376,080
Total expenditures	<u>367,734</u>	<u>367,734</u>	<u>379,959</u>	<u>(12,225)</u>	<u>376,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,284)</u>	<u>(120,284)</u>	<u>(113,037)</u>	<u>7,247</u>	<u>(102,460)</u>
Other financing sources (uses):					
Transfers in	-	-	113,037	113,037	102,460
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>113,037</u>	<u>113,037</u>	<u>102,460</u>
Net change in fund balances	(120,284)	(120,284)	-	120,284	-
Fund balances at beginning of year	-	-	-	-	-
Fund balances (deficit) at end of year	<u>\$ (120,284)</u>	<u>(120,284)</u>	<u>-</u>	<u>120,284</u>	<u>-</u>

CITY OF HAWAIIAN GARDENS
Community Oriented Police Services (COPS)

Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2007

	Budgeted Amounts		2007 Actual	Variance- Positive (Negative)	2006 Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 133,715	233,715	217,089	(16,626)	107,404
Total revenues	<u>133,715</u>	<u>233,715</u>	<u>217,089</u>	<u>(16,626)</u>	<u>107,404</u>
Expenditures:					
Current:					
Public safety	293,375	293,375	264,594	28,781	101,290
Total expenditures	<u>293,375</u>	<u>293,375</u>	<u>264,594</u>	<u>28,781</u>	<u>101,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(159,660)</u>	<u>(59,660)</u>	<u>(47,505)</u>	<u>12,155</u>	<u>6,114</u>
Other financing sources (uses):					
Transfers in	-	-	36,351	36,351	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>36,351</u>	<u>36,351</u>	<u>-</u>
Net change in fund balances	(159,660)	(59,660)	(11,154)	48,506	6,114
Fund balances at beginning of year	11,154	11,154	11,154	-	5,040
Fund balances (deficit) at end of year	<u>\$ (148,506)</u>	<u>(48,506)</u>	<u>-</u>	<u>48,506</u>	<u>11,154</u>

CITY OF HAWAIIAN GARDENS
Housing Authority

Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2007

	Budgeted Amounts		2007 Actual	Variance- Positive (Negative)	2006 Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 984,196	984,196	1,025,984	41,788	1,027,994
Other revenues	-	-	13,407	13,407	-
Total revenues	<u>984,196</u>	<u>984,196</u>	<u>1,039,391</u>	<u>55,195</u>	<u>1,027,994</u>
Expenditures:					
Current:					
Health and welfare	<u>1,067,521</u>	<u>1,067,521</u>	<u>916,166</u>	<u>151,355</u>	<u>969,686</u>
Total expenditures	<u>1,067,521</u>	<u>1,067,521</u>	<u>916,166</u>	<u>151,355</u>	<u>969,686</u>
Net change in fund balances	(83,325)	(83,325)	123,225	206,550	58,308
Fund balances at beginning of year	<u>75,462</u>	<u>75,462</u>	<u>75,462</u>	-	<u>17,154</u>
Fund balances (deficit) at end of year	<u>\$ (7,863)</u>	<u>(7,863)</u>	<u>198,687</u>	<u>206,550</u>	<u>75,462</u>

CITY OF HAWAIIAN GARDENS
Lighting and Landscaping

Schedule of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2007

	Budgeted Amounts		2007 Actual	Variance- Positive (Negative)	2006 Actual
	Original	Final			
Revenues:					
Taxes	\$ 262,000	262,000	251,222	(10,778)	245,816
Investment income	-	-	16,649	16,649	-
Total revenues	<u>262,000</u>	<u>262,000</u>	<u>267,871</u>	<u>5,871</u>	<u>245,816</u>
Expenditures:					
Current:					
Public works	<u>234,038</u>	<u>234,038</u>	<u>236,669</u>	<u>(2,631)</u>	<u>307,357</u>
Total expenditures	<u>234,038</u>	<u>234,038</u>	<u>236,669</u>	<u>(2,631)</u>	<u>307,357</u>
Net change in fund balances	27,962	27,962	31,202	3,240	(61,541)
Fund balances at beginning of year	<u>320,358</u>	<u>320,358</u>	<u>320,358</u>	-	<u>381,899</u>
Fund balances (deficit) at end of year	<u>\$ 348,320</u>	<u>348,320</u>	<u>351,560</u>	<u>3,240</u>	<u>320,358</u>

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STATISTICAL SECTION

This part of the City of Hawaiian Gardens' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
<u>Financial Trends</u>	66-72
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	73-76
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
<u>Debt Capacity</u>	77-81
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.	
<u>Demographic and Economic Information</u>	82-83
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<u>Operating Information</u>	84-86
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

CITY OF HAWAIIAN GARDENS

Net Assets by Component

Last Four Fiscal Years

	Fiscal Year			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ (6,487,493)	(8,112,953)	(8,382,519)	(10,738,130)
Restricted	4,395,094	3,241,677	2,492,902	1,980,322
Unrestricted	<u>12,401,215</u>	<u>11,473,212</u>	<u>8,208,447</u>	<u>9,893,035</u>
Total governmental activities	<u>\$ 10,308,816</u>	<u>6,601,936</u>	<u>2,318,830</u>	<u>1,135,227</u>

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

CITY OF HAWAIIAN GARDENS

Changes in Net Assets

Last Four Fiscal Years

	Fiscal Year			
	2007	2006	2005	2004
<u>Expenses:</u>				
Governmental activities:				
General government	\$ 6,062,061	6,577,405	5,762,647	4,518,330
Public safety	3,076,208	2,478,149	2,748,910	2,184,435
Public works	1,564,133	1,384,822	1,308,662	1,250,952
Highways and streets	2,114,683	2,577,800	2,240,664	938,543
Culture and recreations	4,007,930	3,136,595	2,489,541	2,042,629
Urban development	822,744	1,037,822	1,382,237	876,822
Health and welfare	926,553	975,746	976,007	1,034,321
Interest and fiscal charges	3,411,036	2,339,139	2,359,155	4,969,273
Total governmental activities	<u>\$ 21,985,348</u>	<u>20,507,478</u>	<u>19,267,823</u>	<u>17,815,305</u>
<u>Program Revenues:</u>				
Governmental activities:				
Charges for services				
General government	\$ 102,814	96,878	100,849	74,480
Public safety	568,487	658,938	461,542	446,443
Public works	281,424	269,998	288,899	265,319
Culture and recreations	313,776	577,301	523,941	518,272
Health and welfare	104,680	109,180	4,974	699
Operating grants and contributions	3,266,016	2,931,450	2,525,149	2,279,547
Capital grants and contributions	83,129	506,710	-	-
Total governmental activities program revenues	<u>\$ 4,720,326</u>	<u>5,150,455</u>	<u>3,905,354</u>	<u>3,584,760</u>

(Continued)

CITY OF HAWAIIAN GARDENS

Changes in Net Assets

(Continued)

	Fiscal Year			
	2007	2006	2005	2004
Governmental activities net (expense)/revenue	\$ (17,265,022)	(15,357,023)	(15,362,469)	(14,230,545)
<u>General Revenues and Other Changes in</u>				
<u>Net Assets</u>				
Governmental activities:				
Taxes:				
Property taxes	5,841,469	5,337,310	4,679,678	4,221,075
Business license tax	11,676,652	10,804,786	9,306,103	7,644,733
Sales taxes	690,784	634,205	615,476	540,526
Franchise taxes	168,341	162,522	155,249	243,083
Other taxes	62,424	73,352	47,780	39,206
Motor vehicle in lieu, unrestricted	1,325,587	1,517,327	1,021,176	761,054
Investment income	1,237,348	585,675	461,737	402,806
Other revenues	178,407	524,952	258,873	177,809
Total governmental activities	<u>21,181,012</u>	<u>19,640,129</u>	<u>16,546,072</u>	<u>14,030,292</u>
Change in Net Assets	<u>\$ 3,915,990</u>	<u>4,283,106</u>	<u>1,183,603</u>	<u>(200,253)</u>

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

CITY OF HAWAIIAN GARDENS
 Governmental Activities Tax Revenues By Source
 Last Four Fiscal Years

Fiscal Year	Property Tax	Business License Tax	Sales Tax	Franchise Taxes	Other Taxes	Total
2004	\$ 4,221,075	7,644,733	540,526	243,083	39,206	12,688,623
2005	4,679,678	9,306,103	615,476	155,249	47,780	14,804,286
2006	5,337,310	10,804,786	634,205	162,522	73,352	17,012,175
2007	5,841,469	11,676,652	690,784	168,341	62,424	18,439,670

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

CITY OF HAWAIIAN GARDENS
Fund Balances of Governmental Funds

Last Four Fiscal Years

	Fiscal Year			
	2007	2006	2005	2004
General fund				
Reserved	\$ 3,753,111	2,766,990	1,260,252	1,896,311
Unreserved	<u>9,742,260</u>	<u>7,917,405</u>	<u>5,787,267</u>	<u>4,023,686</u>
Total general fund	<u>\$ 13,495,371</u>	<u>10,684,395</u>	<u>7,047,519</u>	<u>5,919,997</u>
All other governmental funds				
Reserved	\$ 12,958,711	6,102,532	6,310,926	9,077,676
Unreserved, reported in:				
Special revenue funds	4,344,677	3,193,682	2,372,878	1,738,165
Capital projects funds	<u>(52,096)</u>	<u>-</u>	<u>-</u>	<u>2,333,389</u>
Total all other governmental funds	<u>\$ 17,251,292</u>	<u>9,296,214</u>	<u>8,683,804</u>	<u>13,149,230</u>

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

CITY OF HAWAIIAN GARDENS

Changes in Fund Balances of Governmental Funds

Last Four Fiscal Years

	Fiscal Year			
	2007	2006	2005	2004
Revenues:				
Taxes	\$ 7,854,778	7,084,914	6,354,896	5,748,930
Licenses and permits	12,280,520	11,490,064	9,824,414	8,225,915
Intergovernmental	3,768,272	3,704,233	2,816,312	2,333,356
Foundation contributions	83,150	506,710	5,940	5,670
Charges for services	87,900	90,381	79,748	49,764
Fines and penalties	168,314	176,779	130,773	117,367
Rental income	141,426	1,005,169	977,859	996,605
Investment income	1,237,348	585,785	473,692	402,806
Other revenues	329,491	466,147	247,392	197,056
Gain on sale of agency property	-	140,002	-	-
Total revenues	25,951,199	25,250,184	20,911,026	18,077,469
Expenditures:				
General government	4,935,292	4,718,045	4,730,487	3,823,732
Public safety	3,073,673	2,475,614	2,731,411	2,181,900
Public works	1,207,237	1,204,851	1,237,449	1,013,922
Highways and streets	1,660,678	2,220,587	5,970,605	938,543
Culture and recreations	3,126,003	2,726,177	2,381,893	1,983,416
Urban development	1,050,126	1,673,136	1,382,237	876,822
Health and welfare	916,166	969,686	967,713	1,029,550
Capital projects	3,228,704	1,822,340	1,318,204	1,181,960
Debt service:				
Principal	705,000	630,000	600,000	570,000
Interest	2,784,104	2,801,435	2,928,931	3,219,163
Payment to bond escrow agent	759,204	-	-	2,789,912
Cost of issuance	389,237	-	-	1,138,239
Bond premium and discounts	-	-	-	102,644
Total expenditures	23,835,424	21,241,871	24,248,930	20,849,803
Excess of revenues over(under) expenditures	2,115,775	4,008,313	(3,337,904)	(2,772,334)

(Continued)

CITY OF HAWAIIAN GARDENS

Changes in Fund Balances of Governmental Funds

(Continued)

	Fiscal Year			
	2007	2006	2005	2004
Other financing sources (uses)				
Transfers in	11,527,855	2,136,556	1,861,413	4,298,522
Transfers out	(11,527,855)	(2,136,556)	(1,861,413)	(4,298,522)
Sale of capital assets	98,888	240,973	-	-
Issuance of long-term debt	12,505,000	-	-	34,530,000
Payment to bond escrow agent	(3,934,042)	-	-	(27,329,462)
Bond premium	189,543	-	-	-
Total other financing sources (uses)	<u>8,859,389</u>	<u>240,973</u>	<u>-</u>	<u>7,200,538</u>
Net change in fund balances	<u>\$ 10,975,164</u>	<u>\$ 4,249,286</u>	<u>(3,337,904)</u>	<u>4,428,204</u>
Debt service as a percentage of noncapital expenditures	26.4%	20.9%	19.9%	22.4%

CITY OF HAWAIIAN GARDENS

General Governmental Tax Revenues By Source

Last Four Fiscal Years

Fiscal Year	Property Tax	Sales Tax	Other Taxes	Total
2004	\$ 4,221,075	540,526	987,329	5,748,930
2005	4,679,678	615,476	1,059,742	6,354,896
2006	5,337,310	634,205	1,113,399	7,084,914
2007	6,068,851	690,784	1,095,143	7,854,778

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

CITY OF HAWAIIAN GARDENS

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions ¹	Taxable Assessed Value ²	Total Direct Tax Rate
1998	\$ 335,352,116	13,244,957	-	348,597,073	n/a
1999	332,995,251	11,554,604	-	344,549,855	n/a
2000	334,185,467	14,137,093	-	348,322,560	n/a
2001	343,359,937	14,007,217	-	357,367,154	n/a
2002	362,128,450	15,586,776	-	377,715,226	n/a
2003	385,733,497	18,284,600	(3,259,666)	400,758,431	n/a
2004	425,359,929	18,916,863	(6,445,286)	437,831,506	n/a
2005	467,192,376	19,344,840	(6,573,680)	479,963,536	0.87%
2006	540,172,400	27,094,611	(7,270,947)	559,996,064	0.87%
2007	691,203,907	27,391,695	(21,171,764)	697,423,838	0.87%

¹ Exemptions were netted directly against the individual property categories for fiscal years ending 1998 through 2002.

² The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

NOTE:

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 assessed value of the property begin taxed. Each year the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price 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.

Source: HDL Coren & Cone, as compiled from the Los Angeles County Taxpayer Guide

Total direct tax rate information was not available for years prior to 2005.

CITY OF HAWAIIAN GARDENS
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Three Fiscal Years

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Rate Producing Revenue for City and Redevelopment Agency			
City General Fund Direct Rate	\$ 0.005	0.005	0.005
Redevelopment Agency Incremental Rate	<u>0.865</u>	<u>0.865</u>	<u>0.865</u>
Total Direct Rate	0.870	0.870	0.870
 Taxpayer Rates for Largest General Fund Tax Rate			
Los Angeles County General	0.041	0.041	0.041
Long Beach Unified School District	0.025	0.025	0.025
Consolidated Fire Protection District of LA County	0.024	0.024	0.024
Educational Augmentation Fund Impound	0.018	0.018	0.018
Educational Revenue Augmentation Fund	0.009	0.009	0.009
Long Beach Community College District	0.007	0.007	0.007
LA County Library	0.003	0.003	0.003
County Sanitation District No. 19 Operating	<u>0.003</u>	<u>0.003</u>	<u>0.003</u>
Total General Levy*	1.000	1.000	1.000
 Overlapping Rates:			
Metropolitan Water District	0.005	0.005	0.005
Cerritos Community College	0.024	0.024	0.019
Unified Schools	0.024	0.028	0.027
Los Angeles County	<u>0.001</u>	<u>0.001</u>	<u>0.001</u>
Total Voter Approved Rate	<u>\$ 1.054</u>	<u>1.058</u>	<u>1.052</u>

* In 1978 California voters passed Proposition 13 which sets 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 the various intergovernmental overlapping debt.

Source: County of Los Angeles Tax Assessor

Direct and overlapping tax rate information was not available for years prior to 2005.

CITY OF HAWAIIAN GARDENS

Principal Property Taxpayers

Current Year and Nine Years Ago

Taxpayer	2007		1998	
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Cerritos Gardens General Hospital Company	\$ 18,677,875	2.68%	15,888,952	4.56%
ESS Prisa III Owner LLC	14,693,179	2.11%	-	0.00%
Urdang & Cadence Hawaiian Gardens	13,739,400	1.97%	-	0.00%
CT Self Storage LLC	12,109,956	1.74%	-	0.00%
NF Hawaiian Gardens Limited Partnership	9,587,462	1.37%	-	0.00%
Irving I Moskowitz Foundation	8,642,978	1.24%	-	0.00%
Hawaiian Gardens Square	8,428,487	1.21%	5,026,820	1.44%
Whelan Investment NC	8,256,942	1.18%	5,349,170	1.53%
DV Properties	8,021,419	1.15%	-	0.00%
Almost Cypress Limited	6,173,064	0.89%	-	0.00%
Norwalk & Carson Associates	-	0.00%	9,614,910	2.76%
JJJ Enterprises Limited	-	0.00%	7,178,000	2.06%
Hawaiian Gardens Apartments	-	0.00%	5,392,676	1.55%
Susa Partnership LP	-	0.00%	5,300,000	1.52%
Au Zone Investment No. 2, LP	-	0.00%	4,930,879	1.41%
Albertsons, Inc.	-	0.00%	3,955,490	1.13%
Irene D. Webgb Company Trust, Et. Al.	-	0.00%	3,418,173	0.98%
	<u>\$ 108,330,762</u>	<u>15.53%</u>	<u>66,055,070</u>	<u>18.95%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: HDL Coren & Cone

CITY OF HAWAIIAN GARDENS
Property Tax Levies and Collections
Last Nine Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1999	\$ 2,946,063	2,828,733	96.02%	123,885	2,952,618	100.22%
2000	2,994,567	2,850,632	95.19%	49,626	2,900,258	96.85%
2001	3,130,787	2,999,952	95.82%	191,993	3,191,945	101.95%
2002	3,346,964	3,230,670	96.53%	270,115	3,500,785	104.60%
2003	3,701,941	3,663,753	98.97%	250,617	3,914,370	105.74%
2004	4,017,233	3,927,253	97.76%	290,230	4,217,483	104.98%
2005	4,321,601	4,217,492	97.59%	597,135	4,814,627	111.41%
2006	5,599,961	5,249,079	93.73%	350,882	5,599,961	100.00%
2007	6,974,238	6,764,451	96.99%	209,787	6,974,238	100.00%

NOTE:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies. In addition, amounts include supplemental revenue, reductions for taxpayer refunds and revenue from prior years.

Source: HDL Coren & Cone

Property tax levies and collection information was not available for years prior to 1999.

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

Fiscal Year Ended June 30	Tax Allocation Bonds	Certificates of Participation	Total	Percentage of Personal Income ¹	Debt Per Capita ¹
1998	\$ 36,856,644	4,250,000	41,106,644	N/A	N/A
1999	36,606,644	4,220,000	40,826,644	N/A	N/A
2000	37,266,644	4,745,000	42,011,644	N/A	N/A
2001	36,926,644	4,665,000	41,591,644	26%	\$10,728
2002	36,501,644	4,580,000	41,081,644	27%	\$10,222
2003	36,056,644	4,490,000	40,546,644	28%	\$9,716
2004	40,845,000	4,390,000	45,235,000	32%	\$9,210
2005	40,350,000	4,285,000	44,635,000	33%	\$8,704
2006	39,835,000	4,170,000	44,005,000	35%	\$8,196
2007	51,635,000	-	51,635,000	41%	\$8,196

¹ These ratios are calculated using personal income and population for the prior calendar year.

N/A - Information was not available

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF HAWAIIAN GARDENS
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ¹	Debt Per Capita
	Certificates of Participation	Tax Allocation Bonds	Total		
1998	\$ 4,250,000	36,856,644	41,106,644	11.79%	N/A
1999	4,220,000	36,606,644	40,826,644	11.85%	N/A
2000	4,745,000	37,266,644	42,011,644	12.06%	N/A
2001	4,665,000	36,926,644	41,591,644	11.64%	2,814
2002	4,580,000	36,501,644	41,081,644	10.88%	2,749
2003	4,490,000	36,056,644	40,546,644	10.12%	2,680
2004	4,390,000	40,845,000	45,235,000	10.33%	2,962
2005	4,285,000	40,350,000	44,635,000	9.30%	2,903
2006	4,170,000	39,835,000	44,005,000	7.86%	2,858
2007	-	51,635,000	51,635,000	7.40%	3,348

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

N/A - Information was not available

CITY OF HAWAIIAN GARDENS

Direct and Overlapping Governmental Activities Debt

June 30, 2007

	Debt Outstanding	Percent Applicable To City	Estimated Share of Overlapping Debt
Overlapping debt:			
LA County Flood Control Storm District Debt Service #4	\$ 370,000	0.006%	\$ 22
Metropolitan Water District	165,681,509	0.007%	11,494
Cerritos CC DS 2004 Series A	6,600,000	1.948%	128,569
Cerritos CC DS 2005 Refunding Bonds	24,745,994	1.948%	482,056
Cerritos CC DS 2004 Series 2006	34,845,000	1.948%	678,786
ABC Unified School District 2003 Refunding Bonds	17,515,000	5.952%	1,042,430
ABC Unified School District 1997 Series B	36,764,966	5.952%	2,188,119
Total overlapping debt:			4,531,476
City of Hawaiian Gardens direct debt at 6/30/07			51,635,000
Total direct and overlapping debt			<u>\$ 56,166,476</u>

NOTES:

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: HDL Coren & Cone

CITY OF HAWAIIAN GARDENS

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year			
	2007	2006	2005	2004
Debt limit	\$ 26,153,394	20,999,852	479,963,536	437,831,506
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 26,153,394</u>	<u>20,999,852</u>	<u>479,963,536</u>	<u>437,831,506</u>
Total net debt applicable to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 697,423,838
Debt limit (3.75% of assessed value)	<u>26,153,394</u>
Debt applicable to limit:	
General obligation bonds	-
Legal debt margin	<u>\$ 26,153,394</u>

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). Although the statutory debt limit has not been amended by the State since this change the percentages presented in the above computations have been proportionately modified to 3.75% (25% of 15%) for the purpose of this calculation in order to be consistent with the computational effect of the debt limit at the time of the State's establishment of the limit.

Source: City Finance Department
Los Angeles County Tax Assessor's Office

Fiscal Year					
2003	2002	2001	2000	1999	1998
400,758,431	377,715,226	357,367,154	348,322,560	344,549,855	348,597,073
-	-	-	-	-	-
<u>400,758,431</u>	<u>377,715,226</u>	<u>357,367,154</u>	<u>348,322,560</u>	<u>344,549,855</u>	<u>348,597,073</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF HAWAIIAN GARDENS
Demographic and Economic Statistics
Last Seven Calendar Years

Calendar Year	Population ¹	Personal Income (in thousands) ¹	Per Capita Personal Income ¹	Unemployment Rate ²
2000	14,779	\$158,549	\$10,728	5.4%
2001	14,943	\$152,747	\$10,222	5.7%
2002	15,127	\$146,974	\$9,716	6.8%
2003	15,270	\$140,637	\$9,210	7.0%
2004	15,373	\$133,807	\$8,704	6.5%
2005	15,398	\$126,202	\$8,196	5.3%
2006	15,422	\$126,399	\$8,196 ³	4.7%

Sources:

¹ U.S. Census Bureau

² State of California Employment Development Department (data shown is for the County)

³ 2006 information not available. Amount shown represents information for 2005.

NOTE:

Demographic and economic data was not available for years prior to 2000. The U.S. Census Bureau performed its most recent decennial census in 2000. Certain estimates have been made by the Census Bureau since 2000 to estimate the City's population, personal income, and per capita personal income data.

CITY OF HAWAIIAN GARDENS

Principal Employers

Current Year and Two Years Ago

Employer	2007		2005	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Hawaiian Gardens Card Club	1,000	14.81%	1,170	17.33%
Tri-City Medical Center	300	4.44%	660	9.78%
City of Hawaiian Gardens	79	1.17%	81	1.20%
Vons Co's Inc.	70	1.04%	49	0.73%
Cypress Garden Villas	70	1.04%	-	0.00%
Kroger Co.	60	0.89%	-	0.00%
Howard Contracting Inc.	50	0.74%	-	0.00%
Richmond Plastering Inc.	50	0.74%	-	0.00%
ABC Unified School District	40	0.59%	-	0.00%
Jose Villaflor	35	0.52%	-	0.00%
Jack In the Box	29	0.43%	31	0.46%
99 Cents Store	25	0.37%	40	0.59%
Food 4 Less	-	0.00%	65	0.96%
Top Valu Market	-	0.00%	55	0.81%
McDonald's	-	0.00%	43	0.64%
Sav On Drugs Store	-	0.00%	38	0.56%
	<u>1,808</u>	<u>26.78%</u>	<u>2,232</u>	<u>33.06%</u>

Source: Community Development Department

The principal employer information prior to 2005 was not available.

CITY OF HAWAIIAN GARDENS
 Full-time and Part-time City Employees
 Last Four Fiscal Years

<u>Function</u>	<u>Full-time and Part-time Employees as of June 30</u>			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government	18	19	19	19
Public safety	6	6	6	6
Public works	6	11	11	11
Culture and recreation	36	30	30	30
Highways and streets	6	6	6	6
Urban development	<u>7</u>	<u>9</u>	<u>9</u>	<u>9</u>
	79	81	81	81

Source: City Budget Office

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

CITY OF HAWAIIAN GARDENS

Operating Indicators by Function

Last Three Fiscal Years

	Fiscal Year		
	2007	2006	2005
Police:			
Physical arrests	486	527	577
Parking violations	258	2,028	627
Traffic violations	1,750	1,087	1,466
Highways and streets:			
Street resurfacing (miles)	2	1	4
Potholes repaired	89	78	85
Human Services-Senior Citizens Program:			
Classes and Activities	191	190	185
Number of Participants	34,206	32,396	37,114
Excursions	32	27	30
Number of Participants	1,214	969	1,431
Special Events	21	21	22
Number of Participants	2,234	1,917	2,406
Human Services-Transportation:			
Number of Passengers	31,027	28,148	33,546
Mileage	76,083	75,570	74,741
Human Services-Recreation:			
Classes and Activities	178	180	167
Number of Participants	77,094	78,016	58,386
Special Events	21	21	18
Number of Participants	11,430	11,005	14,362
Number of Facility Rentals	18	26	21

Source: Sheriff/ Community Development/Community Services

Operating indicator information was not available for years prior to 2005.

CITY OF HAWAIIAN GARDENS
 Capital Assets Statistics by Function
 Last Four Fiscal Years

	Fiscal Year			
	2007	2006	2005	2005
Public safety				
Vehicles	3	3	3	3
Public works				
Vehicles	28	29	28	28
Highways and streets				
Streets (miles)	16	16	16	16
Traffic signals	15	15	15	15
Culture and recreation				
Vehicles	2	2	3	3
Parks acreage	13	13	13	13
Parks	3	3	3	3
Swimming pools	1	1	1	1
Community centers	1	1	1	1
Health and welfare				
Vehicles	6	6	4	4

Source: Various city departments

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