

CITY OF HAWTHORNE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2003

CITY OF HAWTHORNE

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CITY OF HAWTHORNE

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
The City of Hawthorne, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hawthorne, California, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hawthorne's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental 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 opinions.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of June 30, 2003.

The City declined to present a management's discussion and analysis for the year ended June 30, 2003. Presentation of a management's discussion and analysis is required by accounting principles generally accepted in the United States of America.

In our opinion, except that the omission of a management's discussion and analysis results in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Hawthorne, California, as of June 30, 2003, and the respective changes in financial position, and cash flows here applicable, thereof, and the budgetary comparison of the General Fund, the Housing Authority Fund and the South Bay Workforce Investment Board Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued our report dated September 18, 2003 on our consideration of the City of Hawthorne's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants.



To the Honorable Mayor and Members of the City Council
The City of Hawthorne, California

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Hawthorne. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The scope of our audit did not include the supplemental statistical schedules listed in the table of contents, and we do not express an opinion on them.

Lance, Soll & Lunghard, LLP

September 18, 2003

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$ 20,032,448	\$ 657,978	\$ 20,690,426
Receivables:			
Accounts	20,228,805	1,027,317	21,256,122
Taxes	900,353	82,145	982,498
Contract and notes	3,491,022	-	3,491,022
Accrued interest	72,650	-	72,650
Internal balances	1,454,086	(1,454,086)	-
Prepaid costs	1,281,135	-	1,281,135
Inventories	91,668	-	91,668
Due from other governments	10,305,072	-	10,305,072
Land held for resale	565,000	-	565,000
Restricted assets:			
Cash with fiscal agent	2,446,161	-	2,446,161
Capital assets not being depreciated	26,692,661	37,314	26,729,975
Capital assets, net of depreciation	16,644,187	3,059,129	19,703,316
Total Assets	104,205,248	3,409,797	107,615,045
Liabilities:			
Accounts payable	9,716,801	707,029	10,423,830
Accrued liabilities	1,013,592	26,705	1,040,297
Accrued interest	471,317	-	471,317
Deferred revenue	38,798,614	-	38,798,614
Deposits payable	800	42,573	43,373
Due to other governments	22,073	83	22,156
Accrued claims and judgments	898,559	-	898,559
Noncurrent liabilities:			
Due within one year	1,435,944	-	1,435,944
Due in more than one year	42,289,412	90,579	42,379,991
Total Liabilities	94,647,112	866,969	95,514,081
Net Assets:			
Invested in capital assets, net of related debt	5,104,511	3,096,443	8,200,954
Restricted for:			
Community development projects	1,993,392	-	1,993,392
Public safety	488,986	-	488,986
Capital projects	4,441,951	-	4,441,951
Debt service	5,976,115	-	5,976,115
Unrestricted	(8,446,819)	(553,615)	(9,000,434)
Total Net Assets	\$ 9,558,136	\$ 2,542,828	\$ 12,100,964

See Notes to Financial Statements

CITY OF HAWTHORNE

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 11,619,811	\$ 1,663,234	\$ 7,886,600	\$ -
Public safety	26,534,207	2,044,472	4,123,209	-
Community development	47,340,109	407,589	37,645,702	-
Parks and recreation	2,899,578	403,407	281,282	-
Public works	3,994,551	2,110,750	7,203,233	769,697
Interest on long-term debt	5,172,702	-	-	-
Total Governmental Activities	97,560,958	6,629,452	57,140,026	769,697
Business-Type Activities:				
Airport	712,703	75,032	-	-
Refuse	10,027,027	9,110,255	-	-
Sewer and storm drain	445,579	332,579	-	-
Total Business-Type Activities	11,185,309	9,517,866	-	-
Total Primary Government	\$ 108,746,267	\$ 16,147,318	\$ 57,140,026	\$ 769,697

General Revenues:

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Franchise taxes
- Business licenses taxes
- Other taxes
- Motor vehicle in lieu
- Use of money and property
- Other

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

See Notes to Financial Statements

Exhibit B

<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (2,069,977)	\$ -	\$ (2,069,977)
(20,366,526)	-	(20,366,526)
(9,286,818)	-	(9,286,818)
(2,214,889)	-	(2,214,889)
6,089,129	-	6,089,129
(5,172,702)	-	(5,172,702)
(33,021,783)	-	(33,021,783)
-	(637,671)	(637,671)
-	(916,772)	(916,772)
-	(113,000)	(113,000)
-	(1,667,443)	(1,667,443)
(33,021,783)	(1,667,443)	(34,689,226)
7,925,875	-	7,925,875
929,673	-	929,673
7,931,538	-	7,931,538
1,674,871	-	1,674,871
3,789,235	-	3,789,235
5,796,561	-	5,796,561
4,995,018	-	4,995,018
756,752	565,709	1,322,461
1,188,842	12,589	1,201,431
34,988,365	578,298	35,566,663
1,966,582	(1,089,145)	877,437
50,890,779	3,631,973	54,522,752
(43,299,225)	-	(43,299,225)
\$ 9,558,136	\$ 2,542,828	\$ 12,100,964

CITY OF HAWTHORNE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	<u>General</u>	<u>Special Revenue Funds</u>	
		<u>Housing Authority</u>	<u>South Bay Workforce Invest. Board</u>
Assets:			
Pooled cash and investments	\$ 4,971,509	\$ 405,840	\$ 500
Receivables:			
Accounts	2,539,055	-	14,408,663
Taxes	373,582	-	-
Contract and notes	-	-	-
Accrued interest	41,283	3,197	-
Prepaid costs	487,639	793,496	-
Due from other governments	-	725,200	2,816,365
Due from other funds	11,832,189	-	-
Advances to other funds	41,439,538	-	-
Inventories	77,357	-	-
Land held for resale	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 61,762,152</u>	<u>\$ 1,927,733</u>	<u>\$ 17,225,528</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 822,142	\$ 37,983	\$ 5,170,539
Accrued liabilities	666,318	26,679	237,499
Due to other funds	1,749,837	546,055	885,253
Deferred revenues	23,984,678	-	10,880,646
Advances from other funds	-	-	-
Deposits payable	-	-	-
Due to other governments	22,073	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>27,245,048</u>	<u>610,717</u>	<u>17,173,937</u>
Fund Balances:			
Reserved:			
Reserved for encumbrances	679	-	-
Reserved for perpetual care	77,357	-	-
Reserved for land held for resale	-	-	-
Reserved for advances to other funds	17,454,856	-	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Undesignated	16,984,212	1,317,016	51,591
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>34,517,104</u>	<u>1,317,016</u>	<u>51,591</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 61,762,152</u>	<u>\$ 1,927,733</u>	<u>\$ 17,225,528</u>

See Notes to Financial Statements

Exhibit C

Capital Projects Funds			
Police Facility	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,305,154	\$ 6,850,572	\$ 15,533,575
2,147,271	-	283,816	19,378,805
-	31,031	495,740	900,353
-	-	3,181,022	3,181,022
-	10,314	17,856	72,650
-	-	-	1,281,135
-	-	6,763,507	10,305,072
-	-	1,749,837	13,582,026
-	-	-	41,439,538
-	-	-	77,357
-	565,000	-	565,000
-	-	2,446,161	2,446,161
\$ 2,147,271	\$ 3,911,499	\$ 21,788,511	\$ 108,762,694
\$ 1,447,939	\$ 132,299	\$ 1,944,629	\$ 9,555,531
5,440	-	57,334	993,270
3,344,411	-	5,533,235	12,058,791
-	-	5,500,792	40,366,116
-	41,439,538	-	41,439,538
-	800	-	800
-	-	-	22,073
4,797,790	41,572,637	13,035,990	104,436,119
-	-	122,660	123,339
-	-	-	77,357
-	565,000	-	565,000
-	-	-	17,454,856
-	-	3,753,279	3,753,279
-	-	(3,348)	(3,348)
-	-	4,879,930	4,879,930
(2,650,519)	(38,226,138)	-	(22,523,838)
(2,650,519)	(37,661,138)	8,752,521	4,326,575
\$ 2,147,271	\$ 3,911,499	\$ 21,788,511	\$ 108,762,694

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003**

Fund balances of governmental funds	\$ 4,326,575
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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.	41,186,474
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Long-term debt and compensated absences from the General Long-Term Debt Account Group that have not been included in the governmental fund activity:

Notes payable	(782,607)
Lease obligation	(584,578)
Lease obligation - police facility	(7,759,778)
Certificates of participation payable	(8,950,000)
Tax allocation bond payable	(18,005,000)
Compensated absences	(6,406,130)

Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.	(471,317)
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Grant revenue not received within 60 days and recorded as deferred revenue in the governmental funds. These revenues are included as intergovernmental revenue in the governmental fund activity.	1,567,502
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Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	5,436,995
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Net assets of governmental activities	\$ 9,558,136
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CITY OF HAWTHORNE

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003**

		<u>Special Revenue Funds</u>	
	<u>General</u>	<u>Housing Authority</u>	<u>South Bay Workforce Invest. Board</u>
Revenues:			
Taxes	\$ 23,490,896	\$ -	\$ -
Licenses and permits	1,315,204	-	-
Intergovernmental	6,005,803	9,632,824	29,491,185
Charges for services	2,311,470	396,236	-
Use of money and property	555,935	25,797	-
Fines and forfeitures	1,804,144	-	-
Miscellaneous	547,185	30,084	-
Total Revenues	<u>36,030,637</u>	<u>10,084,941</u>	<u>29,491,185</u>
Expenditures:			
Current:			
General government	8,968,127	-	-
Public safety	19,108,199	-	-
Community development	1,038,550	10,059,319	29,306,875
Parks and recreation	3,040,734	-	-
Public works	903,814	-	-
Capital outlay	406,213	24,302	132,719
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Pass-through agreement payments	-	-	-
Contribution to agency funds	-	-	-
Total Expenditures	<u>33,465,637</u>	<u>10,083,621</u>	<u>29,439,594</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,565,000</u>	<u>1,320</u>	<u>51,591</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(5,164,736)	-	-
Notes and loans issued	-	-	-
Other financing uses	132	-	-
Total Other Financing Sources (Uses)	<u>(5,164,604)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(2,599,604)</u>	<u>1,320</u>	<u>51,591</u>
Fund Balances, Beginning of Year, as Originally Reported	37,116,708	1,315,696	-
Restatements	-	-	-
Fund Balances, Beginning of Year, as Restated	<u>37,116,708</u>	<u>1,315,696</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 34,517,104</u>	<u>\$ 1,317,016</u>	<u>\$ 51,591</u>

See Notes to Financial Statements

Exhibit E

Capital Projects Funds			
Police Facility	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 861,100	\$ 4,463,336	\$ 28,815,332
-	-	407,589	1,722,793
-	-	16,187,482	61,317,294
-	-	601,914	3,309,620
-	106,338	124,485	812,555
-	-	245,372	2,049,516
-	-	153,332	730,601
-	967,438	22,183,510	98,757,711
-	-	2,104,420	11,072,547
606,955	-	8,393,093	28,108,247
-	1,376,713	3,752,115	45,533,572
-	-	-	3,040,734
-	-	3,180,599	4,084,413
10,876,869	-	1,213,131	12,653,234
-	150,225	983,898	1,134,123
-	3,767,948	1,069,077	4,837,025
-	147,283	1,736,742	1,884,025
-	742,761	-	742,761
11,483,824	6,184,930	22,433,075	113,090,681
<u>(11,483,824)</u>	<u>(5,217,492)</u>	<u>(249,565)</u>	<u>(14,332,970)</u>
2,235,000	400,000	2,289,336	4,924,336
-	(359,600)	(400,000)	(5,924,336)
7,759,778	-	-	7,759,778
-	-	-	132
9,994,778	40,400	1,889,336	6,759,910
<u>(1,489,046)</u>	<u>(5,177,092)</u>	<u>1,639,771</u>	<u>(7,573,060)</u>
(1,161,473)	3,804,170	7,798,946	48,874,047
-	(36,288,216)	(686,196)	(36,974,412)
<u>(1,161,473)</u>	<u>(32,484,046)</u>	<u>7,112,750</u>	<u>11,899,635</u>
\$ (2,650,519)	\$ (37,661,138)	\$ 8,752,521	\$ 4,326,575

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003**

Net change in fund balances - total governmental funds \$ (7,573,060)

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of activities because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs 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. 13,154,066

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 787,398

Accrued interest for Tax Allocation Bonds. This is the net change in accrued interest for the current period. 11,048

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (843,052)

New lease obligation for the new police facility, which is recorded as revenue in the governmental funds, but removed for the statement of activities and recoded as a liability. (7,759,778)

The revenues not received within 90 days are not recognized and deferred in the governmental funds. They are fully accrued in the governmental activities. 769,697

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 3,420,263

Change in net assets of governmental activities \$ 1,966,582

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 37,116,708	\$ 37,116,708	\$ 37,116,708	\$ -
Resources (Inflows):				
Taxes	21,755,000	21,755,000	23,490,896	1,735,896
Licenses and permits	914,500	914,500	1,315,204	400,704
Intergovernmental	6,794,387	6,794,387	6,005,803	(788,584)
Charges for services	2,630,400	2,661,900	2,311,470	(350,430)
Use of money and property	689,000	689,000	555,935	(133,065)
Fines and forfeitures	1,523,000	1,523,000	1,804,144	281,144
Other	411,000	411,000	547,185	136,185
Other financing sources	10,000	10,000	132	(9,868)
Amounts Available for Appropriation	71,843,995	71,875,495	73,147,477	1,271,982
Charges to Appropriation (Outflow):				
Mayor and city council	4,549,631	8,551,811	6,432,618	2,119,193
City clerk	163,331	147,396	93,477	53,919
City manager	688,150	663,905	619,428	44,477
City treasurer	329,965	207,297	202,728	4,569
City attorney	573,138	530,737	563,055	(32,318)
Finance	393,729	360,379	237,437	122,942
Personnel	327,526	286,994	287,266	(272)
Licensing and code enforcement	491,858	592,049	532,118	59,931
Police	18,293,012	19,443,588	19,108,199	335,389
County fire service	5,881,648	-	-	-
Public works	1,162,316	942,765	903,814	38,951
Planning	280,202	442,751	422,028	20,723
Building and safety	651,443	731,068	616,522	114,546
Parks and recreation	4,559,585	4,619,407	3,040,734	1,578,673
Capital outlay	-	520,796	406,213	114,583
Transfers out	5,167,786	5,167,786	5,164,736	3,050
Total Charges to Appropriations	43,513,320	43,208,729	38,630,373	4,578,356
Budgetary Fund Balance, June 30	\$ 28,330,675	\$ 28,666,766	\$ 34,517,104	\$ 5,850,338

**BUDGETARY COMPARISON STATEMENT BY FUNCTION
GENERAL FUND
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 37,116,708	\$ 37,116,708	\$ 37,116,708	\$ -
Resources (Inflows):				
Taxes	21,755,000	21,755,000	23,490,896	1,735,896
Licenses and permits	914,500	914,500	1,315,204	400,704
Intergovernmental	6,794,387	6,794,387	6,005,803	(788,584)
Charges for services	2,630,400	2,661,900	2,311,470	(350,430)
Use of money and property	689,000	689,000	555,935	(133,065)
Fines and forfeitures	1,523,000	1,523,000	1,804,144	281,144
Other	411,000	411,000	547,185	136,185
Other financing sources	10,000	10,000	132	(9,868)
Amounts Available for Appropriation	71,843,995	71,875,495	73,147,477	1,271,982
Charges to Appropriation (Outflow):				
General government	7,517,328	11,340,568	8,968,127	2,372,441
Public safety	24,174,660	19,443,588	19,108,199	335,389
Community development	931,645	1,173,819	1,038,550	135,269
Library	4,559,585	4,619,407	3,040,734	1,578,673
Public works	1,162,316	942,765	903,814	38,951
Capital outlay	-	520,796	406,213	114,583
Transfers to other funds	5,167,786	5,167,786	5,164,736	3,050
Total Charges to Appropriations	43,513,320	43,208,729	38,630,373	4,578,356
Budgetary Fund Balance, June 30	\$ 28,330,675	\$ 28,666,766	\$ 34,517,104	\$ 5,850,338

**BUDGETARY COMPARISON STATEMENT
HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2003**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,315,696	\$ 1,315,696	\$ 1,315,696	\$ -
Resources (Inflows):				
Intergovernmental	11,354,652	8,872,247	9,632,824	760,577
Charges for services	383,500	383,500	396,236	12,736
Use of money and property	30,000	30,000	25,797	(4,203)
Other	-	-	30,084	30,084
Amounts Available for Appropriation	13,083,848	10,601,443	11,400,637	799,194
Charges to Appropriation (Outflow):				
Community development	11,860,814	10,781,970	10,059,319	722,651
Capital outlay	37,758	36,722	24,302	12,420
Total Charges to Appropriations	11,898,572	10,818,692	10,083,621	735,071
Budgetary Fund Balance, June 30	\$ 1,185,276	\$ (217,249)	\$ 1,317,016	\$ 1,534,265

**BUDGETARY COMPARISON STATEMENT
SOUTH BAY WORKFORCE INVESTMENT BOARD
YEAR ENDED JUNE 30, 2003**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	43,336,723	43,483,058	29,491,185	(13,991,873)
Amounts Available for Appropriation	43,336,723	43,483,058	29,491,185	(13,991,873)
Charges to Appropriation (Outflow):				
Public services	43,405,874	43,333,400	29,306,875	14,026,525
Library	-	218,809	132,719	86,090
Total Charges to Appropriations	43,405,874	43,552,209	29,439,594	14,112,615
Budgetary Fund Balance, June 30	\$ (69,151)	\$ (69,151)	\$ 51,591	\$ 120,742

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003**

	<u>Refuse</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Fund</u>
Assets:				
Current:				
Cash and investments	\$ -	\$ 657,978	\$ 657,978	\$ 4,498,873
Receivables:				
Accounts	914,338	112,979	1,027,317	850,000
Taxes	82,145	-	82,145	-
Notes and loans	-	-	-	310,000
Inventories	-	-	-	14,311
Total Current Assets	996,483	770,957	1,767,440	5,673,184
Noncurrent:				
Fixed assets - net of accumulated depreciation	10,619	3,085,824	3,096,443	2,150,374
Total Noncurrent Assets	10,619	3,085,824	3,096,443	2,150,374
Total Assets	\$ 1,007,102	\$ 3,856,781	\$ 4,863,883	\$ 7,823,558
Liabilities and Net Assets				
Liabilities:				
Current:				
Accounts payable	\$ 297,633	\$ 409,396	\$ 707,029	\$ 161,270
Accrued payroll payable	8,812	17,893	26,705	20,322
Deposits payable	-	42,573	42,573	-
Due to other governments	-	83	83	-
Due to other funds	1,523,235	-	1,523,235	-
Total Current Liabilities	1,829,680	469,945	2,299,625	181,592
Noncurrent:				
Claims and judgments	-	-	-	898,559
Bonds, leases, notes and loans payable	-	90,579	90,579	1,237,263
Total Noncurrent Liabilities	-	90,579	90,579	2,135,822
Total Liabilities	1,829,680	560,524	2,390,204	2,317,414
Net Assets:				
Invested in capital assets, net of related debt	10,619	3,085,824	3,096,443	913,111
Unrestricted	(833,197)	210,433	(622,764)	4,593,033
Total Net Assets	(822,578)	3,296,257	2,473,679	5,506,144
Total Liabilities and Net Assets	\$ 1,007,102	\$ 3,856,781	\$ 4,863,883	\$ 7,823,558
Net Assets, Enterprise Funds:			\$ 2,473,679	
Adjustments to reflect the consolidation of internal service activities related to enterprise fund:			69,149	
Net Assets: Business-Type Activities:			\$ 2,542,828	

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2003**

	Refuse	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Operating Revenues:				
Sales and service charges	\$ 9,110,255	\$ 407,611	\$ 9,517,866	\$ 4,966,716
Miscellaneous	30,001	(23,373)	6,628	1,171,384
Total Operating Revenues	9,140,256	384,238	9,524,494	6,138,100
Operating Expenses:				
Source of supply	-	128,791	128,791	408,760
Recycling	167,268	-	167,268	-
Refuse collection	7,428,574	-	7,428,574	-
Cost of sales and services	2,172,456	57,967	2,230,423	-
Contractual services	-	-	-	2,195,105
Administration and general	258,559	797,949	1,056,508	416,121
Depreciation	3,866	239,028	242,894	685,673
Total Operating Expenses	10,030,723	1,223,735	11,254,458	3,705,659
Operating Income (Loss)	(890,467)	(839,497)	(1,729,964)	2,432,441
Nonoperating Revenues (Expenses)				
Interest revenue	-	565,709	565,709	-
Contribution from City	-	5,961	5,961	33,008
Gain (loss) on disposal of fixed asset	-	-	-	23,963
Total Nonoperating Revenues (Expenses)	-	571,670	571,670	56,971
Income (Loss) Before Transfers	(890,467)	(267,827)	(1,158,294)	2,489,412
Transfers In	-	-	-	1,000,000
Changes in Net Assets	(890,467)	(267,827)	(1,158,294)	3,489,412
Net Assets:				
Beginning of Fiscal Year	67,889	3,564,084	3,631,973	2,016,732
End of Fiscal Year	\$ (822,578)	\$ 3,296,257	\$ 2,473,679	\$ 5,506,144

Changes in Net Assets, Enterprise Fund: \$ (1,158,294)

Adjustment to reflect the consolidation of internal service activities related to enterprise fund: 69,149

Changes in Net Assets of Business-Type Activities: \$ (1,089,145)

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Refuse	Other Enterprise Funds	Totals	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 9,777,711	\$ 403,251	\$ 10,180,962	\$ -
Cash received from interfund service provided			-	5,391,256
Cash paid to supplies for good and services	(10,188,414)	(117,832)	(10,306,246)	(3,483,557)
Cash paid to employees for services	(255,506)	(792,750)	(1,048,256)	(386,468)
Net Cash Provided (Used) by Operating Activities	(666,209)	(507,331)	(1,173,540)	1,521,231
Cash Flows from Non-Capital Financing Activities:				
Cash transfer from other funds	-	-	-	1,000,000
Due to other funds	666,209	-	666,209	-
Contributions	-	5,961	5,961	-
Net Cash Provided (Used) by Non-Capital Financing Activities	666,209	5,961	672,170	1,000,000
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital debt	-	-	-	847,030
Capital contributions	-	-	-	33,008
Purchases of capital assets	-	(91,994)	(91,994)	(930,460)
Principal paid on capital debt	-	-	-	(864,056)
Proceeds from sales of capital assets	-	-	-	23,963
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(91,994)	(91,994)	(890,515)
Cash Flows from Investing Activities:				
Interest received	-	565,709	565,709	-
Net Cash Provided (Used) by Investing Activities	-	565,709	565,709	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	(27,655)	(27,655)	1,630,716
Cash and Cash Equivalents at Beginning of Year	-	685,633	685,633	2,868,157
Cash and Cash Equivalents at End of Year	\$ -	\$ 657,978	\$ 657,978	\$ 4,498,873

See Notes to Financial Statements

CITY OF HAWTHORNE

Exhibit J
(Continued)STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Business-Type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Refuse	Other	Totals	
		Enterprise Funds		
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (890,467)	\$ (839,497)	\$ (1,729,964)	\$ 2,432,441
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	3,866	239,028	242,894	685,673
(Increase) decrease in accounts receivable	637,455	19,013	656,468	(746,844)
Increase (decrease) in accounts payable	(420,116)	68,926	(351,190)	(64,720)
Increase (decrease) in accrued liabilities	3,053	1,286	4,339	(271)
Increase (decrease) in compensated absences payable	-	3,913	3,913	29,924
Increase (decrease) in claims and judgments payable	-	-	-	(814,972)
Total Adjustments	224,258	332,166	556,424	(911,210)
Net Cash Provided (Used) by Operating Activities	\$ (666,209)	\$ (507,331)	\$ (1,173,540)	\$ 1,521,231

Non-Cash Investing, Capital, and Financing Activities:

There were no non-cash activities during the year.

**CITY OF HAWTHORNE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003**

Exhibit K

Assets:

Cash and investments	\$ 1,570,176
Deposits	360,000
Restricted assets:	
Cash with fiscal agent	<u>3,971,527</u>

Total Assets

\$ 5,901,703

Liabilities:

Accounts payable	\$ 8,798
Accrued liabilities	784,032
Deposits	354,111
Due to bondholders	<u>4,754,762</u>

Total Liabilities

\$ 5,901,703

See Notes to Financial Statements

CITY OF HAWTHORNE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Hawthorne was incorporated on July 25, 1922 as a general law city and operates under a Council/City Manager form of government. It is governed by an elected five-member council.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Hawthorne (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City of Hawthorne elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting entity consist of: 1) the City, 2) organizations for which the City is financially accountable, and 3) organizations for which the nature and significance of their relationship with the City are such that exclusions would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component units balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. The following component units of the City have been included in the financial reporting entity as blended component units.

A description of these component units and the method of incorporating their financial information in the accompanying general purpose financial statements are summarized as follows:

Housing Authority of the City of Hawthorne (Housing Authority)

The Housing Authority is a public agency created by the City in 1984 to administer housing assistance programs for qualified low-income residents. The Housing Authority is governed by the City Council. The Housing Authority's administrative functions are performed by City employees. The financial activity of the Housing Authority is included in the City's financial statements as the Housing Authority Special Revenue Fund. Separate financial statements were not prepared for the Housing Authority of the City of Hawthorne.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Community Redevelopment Agency of the City of Hawthorne (Agency)

The Redevelopment Agency was established by the City in 1968 under the Community Redevelopment Act of the California Health and Safety Code. The City Council acts as the governing board for the Redevelopment Agency. The City provides all administrative services to the Agency. The financial activity of the Redevelopment Agency is reported in the City's financial statements as the Redevelopment Capital Projects Fund and the Redevelopment Debt Service. Separate financial statements for the Community Redevelopment Agency of the City of Hawthorne can be obtained by contacting the City of Hawthorne City Clerk.

Parking Authority of the City of Hawthorne (Parking Authority)

The Parking Authority is a public financing agency created by the City to provide parking facilities for the City's Redevelopment Plaza Project. The City Council serves as the Parking Authority's governing board and is, therefore, responsible for the fiscal and administrative activities of this related entity. The financial activity of the Parking Authority is reported in the City's financial statements in the Community Facilities District as an agency fund. Separate financial statements can be obtained for the Parking Authority of the City of Hawthorne by contacting the City of Hawthorne City Clerk.

Hawthorne Public Financing Authority (Authority)

The Authority was formed as a result of a joint powers agreement between the City of Hawthorne (City) and the Redevelopment Agency of the City of Hawthorne (Agency). The purpose of the Authority is to provide financing for the acquisition, construction and improvements, working capital requirements, or liability or other insurance programs of any local Agency. The Authority is governed by a Board of Directors, comprised of the five members of the City's City Council. The financial activity of the Authority is reported in the City's financial statements as the Hawthorne Public Financing Authority Debt Service Fund. Separate financial statements were not prepared for the Hawthorne Public Financing Authority.

b. Government-Wide and Fund Financial Statements

The government-wide financials statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**City of Hawthorne
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c. Basis of Accounting

The governmental-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds Expendable Trust and Agency fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Their revenues are recognized as soon as they become measurable and available as net current assets. Revenues considered susceptible to accrual in those funds wherein revenue is recognized on a modified accrual basis are as follows: property and sales taxes, revenue from the use of money and property, unbilled service receivables and intergovernmental revenue. Licenses, permits, fines and forfeitures and similar items are, for the most part, not susceptible to accrual and, consequently, are not recorded until received. Agency funds are purely custodial (assets equal liabilities), and thus, do not involve measurement of results of operations. These assets and liabilities are accounted for on a modified accrual basis. The City's Deferred Compensation Plan is accounted for with the modified accrual basis of accounting with the investments carried at market value in accordance with Statement No. 2 of the Governmental Accounting Standards Board (GASB).

Property tax revenue is recognized on the basis of NCGA Interpretation No. 3 (adopted by GASB); that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in March preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

Grants, entitlements or shared revenues recorded in governmental funds are recognized as revenue in the accounting period when they become susceptible to accrual, i.e., both measurable and available (modified accrual basis). Grants received before the revenue recognition criteria has been met are reported as deferred revenue, a liability account. Such resources not received are reported as a receivable if the revenue recognition criteria has been met.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred; principal and interest on general long-term debt is recognized when due.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

All proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned and become measurable, expenses are recognized when they are incurred. Unbilled service receivables are recorded as accounts receivable and as revenue when earned. As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB statements and interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds

The Housing Authority Fund accounts for the federal grant revenues and program expenditures related to the housing assistance programs. These programs are administered by the City's Housing Authority under the regulations established by the Department of Housing and Urban Development (HUD).

The South Bay Workforce Investment Board Fund is a Job Training Partnership Act fund that accounts for federal, State and local grants received to assist the participants in job training and development.

Capital Projects Funds

The Police Facility Fund accounts for revenues and expenditures related to the Hawthorne police headquarters and civic facility.

The Community Redevelopment Agency Capital Projects Fund accounts for revenues and expenditures associated with the acquisition or construction of capital items for the Hawthorne Redevelopment Agency.

The City reports the following major proprietary fund:

The Refuse Fund accounts for the activities associated with residential and commercial refuse collection by the City.

d. Budgetary Data

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. Expenditures may not exceed appropriations at the departmental level, which is the legal level of control. During the year, several supplementary appropriations were necessary. At fiscal year-end, all operating budget appropriations lapse.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue, and Similar Governmental Funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts-in-process at year-end are completed. They do not constitute expenditures or estimated liabilities.

Budget Basis of Accounting

Budgets are legally adopted for all government funds. Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles.

e. Other Accounting Policies

Cash and Cash Equivalents

For purpose of the statement of cash flows, the City considered cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds. Since cash and investments are pooled, the City utilizes the assumption the cash and investments in the Enterprise and Internal Service Funds are cash and cash equivalents.

Investments

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Inventories

Inventories of materials and supplies are carried at cost on a first-in, first-out basis. The City uses the consumption method of accounting for inventories. Special reporting treatments are also applied to governmental fund inventories to indicate that they do not represent "available spendable resources", even though they are a component of net current assets. Such amounts are generally offset by fund balance reserve accounts.

Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Fund balances are reserved in amounts equal to the carrying value of the land held for resale because such assets are not available to the City's current operations.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets acquired in the current year. As the City is still in the process of compiling the necessary data, and as permitted under GASB Statement No. 34, the City has not reported any infrastructure assets retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets lives, are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Curbs and gutters	40
Parks	50
Sewer	40
Sidewalks	40
Streets	50
Traffic signs and signals	30
Machinery and equipment	5 - 50
Vehicles	5
Buildings	40

**City of Hawthorne
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Claims and Judgments and Compensated Absences

Claims and Judgments

The City is partially self-insured for general liability and workers' compensation claims. The City records estimated liabilities for such claims filed or estimated to be filed for incidents which have occurred. The City's claims and judgments payable are recorded in the City's Self-Insurance Internal Service Fund.

Employee Compensated Absences

City employees receive from 10 to 24 days vacation each year, depending upon job classification and length of service. An employee may not accumulate earned vacation time beyond the year following the year in which it is earned. Upon termination, employees with more than one year of service are paid the full value of their unused vacation time.

City employees also receive 12 personal necessity/sick leave days each year. An employee may accumulate earned personal necessity/sick leave time until termination. Upon termination, depending upon job classification and length of service, employees are entitled to receive from 50% to 100% of their unused accumulated personal necessity/sick leave time. Upon retirement, all employees are entitled to receive the full value of their accumulated personal necessity/sick leave time.

Certain City employees may accrue up to a maximum of 100 hours of compensatory time in lieu of overtime pay. Upon termination, these employees are entitled to receive the full value paid on a straight time basis of their unused compensatory time.

f. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances include a reconciliation between net changes in fund balances - of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

The details of this \$13,154,066 difference are as follows:

Capital outlay	\$ 15,230,762
Depreciation expense	<u>(2,076,696)</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 13,154,066</u></u>

**City of Hawthorne
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Another element of that reconciliation states that "repayment of the principal of long-term debt consumes the current financial resources of governmental funds". This transaction, however, has no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$787,398 difference are as follows:

Principal repayments:	
Tax allocation bonds	\$ 265,000
Notes payable	150,225
COP bonds payable	265,000
Capital leases payable	<u>107,173</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ 787,398</u>

Another element of that reconciliation states "the net effect of accrued interest for long-term liabilities". The details of this \$787,398 difference are as follows:

Net accrued interest for the current year:	
Tax allocation bonds current year accrued interest	\$ (247,151)
COP bonds current year accrued interest	(224,166)
Tax allocation bonds prior year accrued interest	252,634
COP bonds prior year accrued interest	<u>229,731</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ 11,048</u>

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

- a. The following funds contained deficits in the fund balance or retained earnings accounts:

<u>Fund</u>	<u>Amount</u>
Major Governmental Funds:	
Police facility	\$ (2,650,519)
Community Redevelopment Agency	(37,661,138)
Major Proprietary Funds:	
Refuse	(822,578)

The City intends to fund these with transfers and reduction of expenditures/expenses in future years.

**City of Hawthorne
Notes to Financial Statements (Continued)**

Note 2: Stewardship, Compliance and Accountability (Continued)

b. Excess of expenditures over appropriations by department in individual funds are as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Non-major governmental funds:			
Special Revenue Funds:			
Asset Forfeiture:			
Public safety	\$ 188,503	\$ 152,841	\$ 35,662
Capital outlay	22,157	-	22,127
California Used Oil Recycling:			
Public works	46,019	39,901	6,118
Local Law Enforcement:			
Block Grant:			
Capital outlay	331,084	100,302	230,782
COPS in School Grant:			
Public safety	295,334	251,375	43,959
Debt Service Funds:			
Community Redevelopment Agency:			
Community development	97,514	30,500	67,014
Public Financing Authority:			
General government	14,618	-	14,618

III. DETAIL NOTES ON FUNDS AND ACCOUNT GROUPS

Note 3: Cash and Investments

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Cash and investments at June 30, 2003 consisted of the following:

Pooled Cash and Deposits	\$ 7,783,966
Investments Held with Fiscal Agent	6,417,688
Local Agency Investment Fund	<u>14,476,636</u>
Total Cash and Investments	<u><u>\$ 28,678,290</u></u>

City of Hawthorne
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

Cash and investments are reported as follows in the combined balance sheets:

	Cash and Investments	Restricted Cash		Total
		Cash and Investments	Cash with Fiscal Agent	
Governmental Activities	\$ 20,032,448	\$ -	\$ 2,446,161	\$ 22,478,609
Business-Type Activities	657,978	-	-	657,978
Fiduciary Funds	1,570,176	-	3,971,527	5,541,703
	<u>\$ 22,260,602</u>	<u>\$ -</u>	<u>\$ 6,417,688</u>	<u>\$ 28,678,290</u>

The City follows the practice of pooling cash and investments of all funds except for restricted funds which are required to be held by outside fiscal agents under the provisions of bond indentures. These restricted funds are not available for operating purposes. Interest earned on pooled cash and investments is allocated quarterly to the various funds based on average quarterly cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Pooled Cash and Non-Negotiable Certificates of Deposit

All pooled cash and non-negotiable certificates of deposit are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits.

The City may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

Credit Risk, Carrying Amount and Fair Value of Pooled Cash and Deposits

Cash and deposits of the City are summarized below. The deposits are classified as to credit risk by three categories as follows: Category 1 includes deposits that are insured or collateralized, with the securities held by the City or its agent in the City's name; Category 2 includes deposits which are uninsured but which are collateralized with the securities held by the pledging financial institution's trust department in the City's name; Category 3 includes deposits which are uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution, or by its trust department, safe keeping department or agent but not in the City's name.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand Deposit	\$ 4,611	\$ 7,734,493	\$ -	\$ 7,739,104	\$ 3,783,966
Totals	<u>\$ 4,611</u>	<u>\$ 7,734,493</u>	<u>\$ -</u>	<u>\$ 7,739,104</u>	<u>\$ 3,783,966</u>

**City of Hawthorne
Notes to Financial Statements (Continued)**

Note 3: Cash and Investments (Continued)

Investments Held with Fiscal Agent

Authorized Investments

Under provisions of the City's Investment Policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposits (or Time Deposits) placed with commercial bank and/or savings and loan associations
- Negotiable Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Demand Deposits
- Repurchase Agreements

California Local Agency Investment Fund (LAIF)

The State Treasury's Investment Pool is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's office audits the fund annually. Investment in the fund is secured by the full faith and credit of the State of California. The carrying value and fair value of the investment pool at June 30, 2003 was \$55,429,568,408 and \$55,587,336,494, respectively. The City's share of the pool at June 30, 2003 was approximately .02%. The fair value of the position in the State Investment Pool is the same as the value of the pool shares.

Credit Risk, Carrying Amount and Fair Value of Investments

Investments of the City are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by three categories as follows: Category 1 includes investments that are insured or registered for which securities are held by the City, or its agent, in the City's name; Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's agent in the City's name in a trust department; Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its agent, but not in the City's name.

Form of Investment	Category			Carrying Amount
	1	2	3	
Freddie Mac	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
FHLN	3,000,000			3,000,000
Corporate Note	621,000			621,000
	<u>\$4,621,000</u>	<u>\$ -</u>	<u>\$ -</u>	4,621,000
Noncategorized Investments:				
Mutual funds - money market fund				1,843,951
Investment agreements				3,952,737
Local Agency Investment Fund - State of California*				<u>14,476,636</u>
Total Investments				<u>\$24,894,324</u>

*Investment in State and County Treasury's Investment Pool and Deferred Compensation

**City of Hawthorne
Notes to Financial Statements (Continued)**

Note 3: Cash and Investments (Continued)

Investments in State and County Treasury's Investment Pool and Deferred Compensation cannot be assigned a credit risk category because the City does not own specific securities. However, the funds' investment policies and practices with regard to the credit and market risks have been determined acceptable to the City's investment policies.

Note 4: Joint Ventures

SBRPCA

The City is a member of the South Bay Regional Public Communications Authority (SBRPCA), a joint powers authority of the cities of Hawthorne, Gardena, Manhattan Beach and El Segundo. SBRPCA was formed October 14, 1975 for the purpose of financing a public safety communications system for the member cities. The governing board is composed of the mayor of each member city. During fiscal year 2001-2002, the City was assessed \$1,796,784, which was paid to SBRPCA for the operations and maintenance of the consolidated regional public safety services communications system that SBRPCA provides to its member cities.

As of and for the year ended June 30, 2002, SBRPCA's audited financial information is as follows*:

Authority retained earnings, beginning of year		\$ 1,660,725
Total revenues	\$ 4,978,464	
Total expenses	<u>4,829,932</u>	
Net Increase in Authority Retained Earnings		<u>148,532</u>
Authority Retained Earnings, End of Year		<u><u>\$ 1,809,257</u></u>
Cash and investments	\$ 3,084,695	
Fixed assets	8,679,577	
Other assets	<u>460,599</u>	
Total Assets		<u><u>\$ 12,224,871</u></u>
Total Liabilities	\$ 10,331,514	
Authority equity	<u>1,893,357</u>	
Total Liabilities and Authority Equity		<u><u>\$ 12,224,871</u></u>

* Most Recent Information

Complete financial statements for the SBRPCA may be obtained from the City's Finance Department.

Should the Authority liquidate, all members would receive their equity in the Authority based upon their cumulative contributions.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 4: Joint Ventures (Continued)

SBPIC

The South Bay Private Industry Council (SBPIC), a consortium formed by the Cities of Hawthorne, Inglewood, Gardena, El Segundo, Lawndale, Manhattan Beach, Redondo Beach and Hermosa Beach, became under the administrative control of the City of Hawthorne as of February 28, 2000. Prior to this date, the administrative control was at the City of Inglewood. The Board of the SBPIC is appointed by each member city; the SBPIC is not fiscally dependent on the primary government, and as such, the SBPIC is not considered a component unit of the City of Hawthorne. Federal, State and local grants fund the SBPIC and its purpose is to assist participants in job training and development. The financial information for SBPIC is recorded in the Special Revenue Funds as the South Bay Workforce Investment Board. Separate financial statements are not prepared.

Note 5: Changes in Capital Assets

Capital assets activity for the year ended June 30, 2003 follows:

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:						
Capital assets, not being depreciated:						
Land	\$ 7,388,529	\$ -	\$ 7,388,529	\$ -	\$ -	\$ 7,388,529
Investment in joint venture	1,035,523	-	1,035,523	-	-	1,035,523
Construction-in-progress	-	2,470,481	2,470,481	10,875,251	-	13,345,732
Total Capital Assets, Not Being Depreciated	8,424,052	2,470,481	10,894,533	10,875,251	-	21,769,784
Capital assets, being depreciated:						
Structures and improvements	13,616,541	-	13,616,541	74,225	-	13,690,766
Machinery and equipment	17,436,442	-	17,436,442	1,564,686	248,021	18,753,107
Parking authority - structures	16,359,554	-	16,359,554	-	-	16,359,554
Infrastructure	-	-	-	3,666,058	-	3,666,058
Total Capital Assets, Being Depreciated	47,412,537	-	47,412,537	5,304,969	248,021	52,469,485
Less accumulated depreciation:						
Structures and improvements	-	6,192,516	6,192,516	427,066	-	6,619,582
Machinery and equipment	2,106,385	10,030,044	12,136,429	1,847,315	229,022	13,754,722
Parking authority - structures	-	10,040,129	10,040,129	408,989	-	10,449,118
Infrastructure	-	-	-	78,999	-	78,999
Total Accumulated Depreciation	2,106,385	26,262,689	28,369,074	2,762,369	229,022	30,902,421
Total Capital Assets, Being Depreciated, Net	45,306,152	(26,262,689)	19,043,463	2,542,600	18,999	21,567,064
Governmental Activities Capital Assets, Net	\$ 53,730,204	\$ (23,792,208)	\$ 29,937,996	\$ 13,417,851	\$ 18,999	\$ 43,336,848

City of Hawthorne
Notes to Financial Statements (Continued)

Note 5: Changes in Capital Assets (Continued)

	Beginning Balance	Adjustments	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:						
Capital assets, not being depreciated:						
Land	\$ 37,314	\$ -	\$ 37,314	\$ -	\$ -	\$ 37,314
Total Capital Assets, Not Being Depreciated	37,314	-	37,314	-	-	37,314
Capital assets, being depreciated:						
Structures and improvements	15,192,895	-	15,192,895	86,032	-	15,278,927
Machinery and equipment	36,119	-	36,119	5,962	-	42,081
Total Capital Assets, Being Depreciated	15,229,014	-	15,229,014	91,994	-	15,321,008
Less accumulated depreciation:						
Structures and improvements	12,000,932	-	12,000,932	237,537	-	12,238,469
Machinery and equipment	18,053	-	18,053	5,357	-	23,410
Total Accumulated Depreciation	12,018,985	-	12,018,985	242,894	-	12,261,879
Total Capital Assets, Being Depreciated, Net	3,210,029	-	3,210,029	(150,900)	-	3,059,129
Business-Type Activities Capital Assets, Net	\$ 3,247,343	\$ -	\$ 3,247,343	\$ (150,900)	\$ -	\$ 3,096,443

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 752,531
Public safety	803,939
Public work	72,707
Community development	299,198
Parks and recreation	148,321
Internal service funds - equipment replacement	685,673
Total Governmental Activities	<u>\$ 2,762,369</u>
Business-Type Activities:	
Airport fund	\$ 141,395
Refuse fund	3,866
Sewer fund	97,633
Total Business-Type Activities	<u>\$ 242,894</u>

The adjustment amounts are to restate the beginning balances of capital assets.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 6: Retirement Plans

Plan Description

The City of Hawthorne contributes to the California Public Employees Retirement System (PERS), an agent 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. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the rates are set by statute and, therefore, remain unchanged from year to year. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2003, the City's annual pension cost of \$0 for PERS was equal to the City's portion of required and actual contributions. The required contribution was determined as part of the June 30, 2001, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.75%. The actuarial value of PERS assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information for PERS
(Amounts in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2001	\$ -	100 %	\$ -
6/30/2002	\$ -	100 %	\$ -
6/30/2003	\$ -	100 %	\$ -

City of Hawthorne
Notes to Financial Statements (Continued)

Note 6: Retirement Plans (Continued)

Schedule of Funding Progress for PERS
(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/1999						
Miscellaneous	\$ 63,676	\$ 45,354	\$ (18,313)	140.3 %	\$ 5,740	(319.0) %
Safety	<u>10,140</u>	<u>84,714</u>	<u>(16,426)</u>	119.3 %	<u>5,412</u>	<u>(303.5) %</u>
Total	<u>\$ 73,816</u>	<u>\$ 130,068</u>	<u>\$ (34,739)</u>		<u>\$ 11,152</u>	
6/30/2000						
Miscellaneous	\$ 68,494	\$ 50,408	\$ (18,086)	135.9 %	\$ 11,235	(160.9) %
Safety	<u>108,244</u>	<u>89,787</u>	<u>(18,457)</u>	120.6 %	<u>5,505</u>	<u>(335.2) %</u>
Total	<u>\$ 176,738</u>	<u>\$ 140,195</u>	<u>\$ (36,543)</u>		<u>\$ 16,740</u>	
6/30/2001						
Miscellaneous	\$ 71,740	\$ 60,963	\$ (10,777)	117.7 %	\$ 13,011	(82.8) %
Safety	<u>109,255</u>	<u>96,323</u>	<u>(12,932)</u>	113.4 %	<u>6,146</u>	<u>(210.4) %</u>
Total	<u>\$ 180,995</u>	<u>\$ 157,286</u>	<u>\$ (23,709)</u>		<u>\$ 19,157</u>	

**City of Hawthorne
Notes to Financial Statements (Continued)**

Note 7: Long-Term Debt

The following is a summary of the changes in long-term debt of the City for the year ended June 30, 2003:

	Outstanding July 1, 2002	Adjustments*	Additions	Deletions	Outstanding June 30, 2003	Due Within One Year
Governmental Funds:						
City:						
Certificates of participation	\$ 9,215,000	\$ -	\$ -	\$ 265,000	\$ 8,950,000	\$ 275,000
Compensated absences	5,563,078	-	843,052	-	6,406,130	-
Lease payable	691,751	-	-	107,173	584,578	112,953
Lease payable - police facility	-	-	7,759,778	-	7,759,778	396,000
Total City	15,469,829	-	8,602,830	372,173	23,700,486	783,953
Internal Service Funds:						
Compensated absences	161,349	-	4,781	-	166,130	-
Lease payable	1,088,160	-	847,030	864,057	1,071,133	-
Total Internal Service Funds	1,249,509	-	851,811	864,057	1,237,263	-
Redevelopment Agency:						
Tax allocation refunding bonds	18,270,000	-	-	265,000	18,005,000	425,000
Notes payable	932,832	-	-	150,225	782,607	226,991
Advances from other funds	36,288,216	(36,288,216)	-	-	-	-
Total Redevelopment	55,491,048	(36,288,216)	-	415,225	18,787,607	651,991
Total Governmental Long-Term Obligations	\$ 72,210,386	\$ (36,288,216)	\$ 851,811	\$ 1,651,455	\$ 43,725,356	\$ 1,435,944
Business-Type Funds:						
Compensated absences	\$ 86,666	\$ -	\$ 3,913	\$ -	\$ 90,579	\$ -

* Adjustment is due to advances being recorded in proper fund on governmental statements.

Hawthorne Public Financing Authority

Certificates of Participation originally issued in the amount of \$9,950,000 with interest varying from 3.9% to 5.2%, payable on January 1 and July 1 of each year. The certificates mature on July 1, 2002.

\$ 8,950,000

The above certificates contain certain restrictive covenants. The City's management believes it has complied with all applicable covenants during the year ended June 30, 2003.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 7: Long-Term Debt (Continued)

The annual principal requirements to amortize the Public Financing Authority COP's outstanding as of June 30, 2003 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 275,000	\$ 442,420	\$ 717,420
2005	290,000	430,128	720,128
2006	300,000	416,998	716,998
2007	315,000	403,003	718,003
2008	330,000	388,003	718,003
2009-2013	1,895,000	2,015,461	3,910,461
2014-2018	2,430,000	1,135,122	3,565,122
2019-2022	3,115,000	421,850	3,536,850
Total Debt Service	<u>\$ 8,950,000</u>	<u>\$ 5,652,985</u>	<u>\$ 14,602,985</u>

Compensated Absences

As discussed in Note 1 of the financial statements, in governmental fund types, the City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) that exceeds expendable, available financial resources is reported in the General Long-Term Liability. The accrual is calculated in accordance with GASB Code Section C60.109.

Lease Obligations

The City has entered into various capital lease agreements for the lease of equipment. Future minimum lease payments under the capital leases and the present value of net minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 112,953	\$ 28,842	\$ 141,795
2005	119,053	22,742	141,795
2006	125,482	16,313	141,795
2007	116,478	9,725	126,203
2008	110,617	3,782	114,399
Total Debt Service	<u>\$ 584,583</u>	<u>\$ 81,404</u>	<u>\$ 665,987</u>

Lease Obligation - Police Facility

The City is currently building a new police facility, which is scheduled for completion in fiscal year 2003/2004. The construction expenditures are reimbursed by the California Infrastructure and Economic Development Bank (CIEDB). Once completed, the facility will be assigned to CIEDB and leased back by the City of Hawthorne. As of June 30, 2003, the total construction expenditures of \$7,759,778 have been recorded as a liability under the lease obligation. Total lease obligation is expected to amount to \$20,000,000 in 2003-2004. Lease obligation payments are scheduled as follows:

City of Hawthorne
Notes to Financial Statements (Continued)

Note 7: Long-Term Debt (Continued)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 396,000	\$ 865,942	\$ 1,261,942
2005	412,000	848,310	1,260,310
2006	429,000	829,961	1,258,961
2007	446,000	810,863	1,256,863
2008	464,000	790,992	1,254,992
2009-2013	2,622,000	3,627,370	6,249,370
2014-2018	3,200,000	2,994,163	6,194,163
2019-2023	3,907,000	2,221,175	6,128,175
2024-2028	4,769,000	1,277,548	6,046,548
2029-2031	3,355,000	228,736	3,583,736
Total Debt Service	<u>\$ 20,000,000</u>	<u>\$ 14,495,060</u>	<u>\$ 34,495,060</u>

Community Redevelopment Agency Debt

1994 Tax Allocation Refunding Bonds - refunding serial and term bonds with an interest rate varying from 4.50% to 6.75% per annum, payable on March 1 and September 1. The bonds mature in the year 2024. \$ 4,700,000

1998 Tax Allocation Refunding Bonds - refunding serial and term bonds with an interest rate varying from 4.20% to 5.24% per annum, payable on March 1 and September 1. The bonds mature in year 2024. 8,770,000

2001 Tax Allocation Refunding Bonds - term bonds with interest rates varying from 5.500% to 6.875% per annum, payable on January 1 and July 1. Principal payments ranging from \$145,000 to \$410,000 are due annually on July 1 beginning in the year 2003 through the year 2020. 4,535,000

Total Community Redevelopment Agency Tax Allocation Refunding Bonds \$ 18,005,000

City of Hawthorne
Notes to Financial Statements (Continued)

Note 7: Long-Term Debt (Continued)

Each of the three bond agreements above contains certain restrictive covenants. The Agency's management believes it has complied with all applicable covenants during the year ended June 30, 2003.

The annual requirements to amortize the Community Redevelopment Agency general long-term debt that has determinable payment dates and amounts (the Tax Allocation Refunding Bonds payable only) as of June 30, 2003, are as follows:

<u>Year Ending June 30,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2003-2004	\$ 425,000	\$ 1,023,636	\$ 1,448,636
2004-2005	450,000	865,361	1,315,361
2005-2006	535,000	970,828	1,505,828
2006-2007	565,000	942,491	1,507,491
2007-2008	595,000	911,478	1,506,478
2008-2013	3,510,000	4,004,853	7,514,853
2013-2018	4,640,000	2,829,169	7,469,169
2018-2023	5,290,000	1,281,922	6,571,922
2023-2028	1,995,000	113,201	2,108,201
 Total Debt Service	 <u>\$ 18,005,000</u>	 <u>\$ 12,942,939</u>	 <u>\$ 30,947,939</u>

Notes Payable

Anastasi Construction Note - an installment agreement which was approved by a court order on May 6, 1997 with a variable interest rate and to be paid over a ten-year period.	\$ 80,000
Mission - Oceangate Note - a promissory note dated April 12, 1999 paying interest at 7.5%. The note is payable in ten annual installments of \$149,687. The principal amount of this note represents the agreed-upon amount of sales tax generation and Mello-Roos reimbursement due and unpaid through June 30, 2002.	<u>702,607</u>
Total Community Redevelopment Agency Notes Payable	<u>\$ 782,607</u>

Advances Payable

Advances to other funds represent long-term advances from the general fund to the Community Redevelopment Agency for Agency operations. As the City believes this is a long-term interfund loan receivable, it has been recorded as an advance.

The amount of the advance is offset equally by a fund balance reserve account, which indicates that such advances are not available to finance current liabilities and do not constitute expendable available financial resources and, therefore, are not available for appropriation. This obligation bears interest at 10% and is due on demand.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 7: Long-Term Debt (Continued)

Claims and Judgments

As of June 30, 2003, the City is party to certain lawsuits. After reviewing these lawsuits with legal counsel, management has estimated the potential claims against the City, not covered by insurance, resulting from such litigation and has recorded a liability in the Internal Service Fund. At June 30, 2003, total estimated claims payable were \$672,457.

Bonds Defeased in Prior Years

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2003, \$7,208,324 of bonds outstanding are considered defeased.

Non-City Obligation Debt - Special Assessment Bonds

During the year ended June 30, 1992, two Community Facilities Districts (Districts) were established by the Community Redevelopment Agency (Agency) of the City of Hawthorne. Bonds have been issued to finance the cost of various real property acquisitions, various construction activities, street improvements, traffic signalization and public safety projects and other infrastructure improvements which have a special and direct benefit to the related property owners. Under the terms and conditions of these bonds, the Agency acts as agent for the property owners in collecting the special taxes and forwarding the collections to the bond holders. On October 22, 1991, the 1990-1 Special Tax Bonds totaling \$8,955,000 were issued and on November 12, 1991, the 1991-1 Special Tax Bonds totaling \$11,865,000 were issued. The 1990-1 Special Tax Bonds were refunded on March 18, 1999 by the issuance of the 1998 Special Tax Refunding Bonds for \$8,990,000. On August 16, 2000, the Agency issued two series of 1999-1 Special Tax Bonds, \$3,525,000 Series A and \$12,475,000 Series B. The total of these bonds were used to refund the 1991-1 Special Tax Bonds. As of June 30, 2003, the bonds outstanding from these Community Facility Districts total \$23,730,000.

Such bonds do not constitute an indebtedness of either the City or the Agency, and are payable solely from special taxes collected from property owners within the Districts. In the opinion of City and Agency officials, these bonds are not payable from any revenues or assets of the City or Agency and none of the full faith and credit of the City, Agency, the Districts, the state or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the General Long-Term Debt Account Group.

On August 16, 1995, the Parking Authority issued \$10,105,000 Special Tax Refunding Bonds to advance refund the Authority's \$2,025,000 outstanding Lease Revenue Bonds, Series A, and its \$8,080,000 outstanding Refunding Lease Revenue Bonds, Series 1977. The net proceeds of \$9,801,850, plus an additional \$1,400,000 contributed from property owners and \$37,646 of Series A and Series 1977 Lease Revenue Bond sinking fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series A and Series 1977 Lease Revenue Bonds. As a result, the Series A and Series 1977 Lease Revenue Bonds are considered to be defeased and the liabilities for those bonds have been removed from the General Long-Term Debt Account Group. As of June 30, 2003, the Special Tax Refunding Bonds outstanding total \$8,815,000.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 7: Long-Term Debt (Continued)

The Special Tax Refunding Bonds are limited obligations of the Authority, payable from monies to be received by the Authority from the payment of special taxes to be levied and collected on taxable property within the District and from the proceeds, if any, from the sale of such property for delinquency of such special rates. The City treasurer acts as an agent for the collection of principal and interest payments by the property owners and remittance of such monies to the bond holders.

Note 8: Interfund Receivables and Payables

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Proposition C	General Fund	\$ 1,749,837
General Fund	Governmental Activities:	
	Housing Authority	546,055
	South Bay Workforce Investment Board	885,253
	Police Facility	3,344,411
	Nonmajor Governmental Funds	5,533,235
	Business-Type Activities:	
	Refuse	<u>1,523,235</u>
	Totals	<u>\$ 13,582,026</u>

The loan from the Proposition C fund to the general fund for \$1,749,837 was for ineligible use of Proposition C funds that will be reimbursed to the Proposition C Fund. The remaining loan from the General Fund was to cover negative cash balances in the above funds.

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Redevelopment Agency - Capital Project	<u>\$ 41,439,538</u>

The advance from the General fund to the Community Redevelopment Agency - Capital Project fund was to cover Agency operations.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 8: Interfund Receivables and Payables (Continued)

Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Police Facility	General Fund	\$ 2,235,000
Nonmajor Governmental Funds		1,929,736
Internal Service Fund		1,000,000
Nonmajor Governmental Fund	Community Redevelopment Agency - Capital Project Fund	359,600
Community Redevelopment Agency - Capital Project Fund	Nonmajor Governmental Fund	<u>400,000</u>
	Total	<u>\$ 5,924,336</u>

A transfer out of \$2,235,000 from the General Fund to the Police Facility was for the City's contribution to the construction expenditures for the new police building. Transfers of \$1,929,736 to the nonmajor governmental funds were for street construction projects of \$1,168,972, City Matching of the Local Law Enforcement Grant in the amount of \$40,302, and for debt service contributions on the 1997 COP bond in the amount of \$720,462. The \$1,000,000 transfer to the Internal Service Fund was for a repayment of a prior advanced amount.

The transfer out from the Community Redevelopment Agency - Capital Project Fund of \$359,600 was for contribution of the debt service on the 2001 Tax Allocation Bond.

The transfer received by the Community Redevelopment Agency - Capital Project Fund of \$400,000 was to cover administrative expenses.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 9: Restatement of Fund Balances/Net Assets

Restatement of Fund Balances

Community Redevelopment Agency - Capital Projects:

Advances from other funds which were reported in the General Long-Term Debt Account Group are now reported in the individual fund \$ (36,288,216)

Nonmajor Governmental Funds:

Special Revenue Funds:

Rosecrans/Aviation Project Fund:

To properly record prior years revenues that has not be requested for reimbursement as deferred revenues (797,805)

Community Development Block Grant:

To properly record revenues in correct year 111,609

(686,196)

Governmental Activities:

Capital assets balance at July 1, 2002 previously reported in the general fixed assets account group, net 28,032,407

Long-term debt outstanding at July 1, 2002 previously reported in the general long-term debt account group (29,109,582)

Accrued interest at July 1, 2002 on long-term debt previously reported in the general long-term debt account group (482,365)

Compensated absences at July 1, 2002 previously reported in the general long-term debt account group (5,563,078)

Deferred revenue at July 1, 2002 that needs to be recognized under the full accrual basis 797,805

Total restatement - governmental activities \$ (43,299,225)

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Note 10: Other Post-Employment Benefits

In addition to the PERS pension benefits described in Note 7, the City provides certain post-employment health care benefits, in accordance with the various City Council Resolutions: No. 966, No. 5967, No. 5978, No. 5983, No. 5984, No. 6022 and No. 6046 to the following three employee categories: general, fire and police. The following is a description of the eligibility requirements, the term of the benefits, and the post-employment health benefits available to eligible employees:

All employees who have retired from a classification covered by the memorandum of understanding, are receiving retirement benefits from PERS, and have a minimum of ten years of full-time employment, shall be entitled to enroll in a PERS health plan. The City agrees to reimburse an amount equal to the coverage for the plan in which the employee is enrolled. This benefit commences upon the employee's retirement date and ceases when the employee becomes ineligible for coverage under the PERS health benefits plan.

Fire

All employees who have retired from a classification covered by the memorandum of understanding, are receiving retirement benefits from PERS, and have a minimum of 15 years of full-time employment, shall be entitled to enroll in a PERS health plan. The City agrees to reimburse an amount equal to the coverage for the plan in which the employee is enrolled. This benefit commences upon the employee's retirement date and ceases when the employee becomes ineligible for coverage under the PERS health benefits plan. The City began contracting with the County of Los Angeles beginning in February 1997. Therefore, this benefit pertained only to those employees retiring before February 1997.

Police

All employees who have retired, have at least 20 years of service in the Hawthorne Police Department, and have reached the age of 50 shall be entitled to enroll in a PERS health plan. The City agrees to pay for health insurance for the retired employee and his or her dependent spouse. A qualified retiree shall be covered by this provision as long as he/she is eligible for PERS health insurance coverage. The dependent spouse of a qualified retiree shall be covered until he/she reaches the age of 65. Any employee who retires with less than the minimum requirements as noted above, shall be offered the opportunity to continue their participation in the group health insurance (PERS) in effect at that time.

During the fiscal year ended June 30, 2003, expenditures of approximately \$1,041,263 were recognized for all three employee categories by the City for post-employment health insurance, accounted for and financed on a pay as you go basis. As of June 30, 2003, there were 189 retirees and dependent spouses receiving post-employment benefits.

**City of Hawthorne
Notes to Financial Statements (Continued)**

Note 11: Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the Insurance Reserve Fund to account for and finance its uninsured risks of loss and the Redevelopment Agency records its risk in the General Long-Term Debt Account Group.

The Insurance Reserve Fund provides coverage for up to a maximum of \$250,000 for each workers' compensation claim and \$250,000 for each general liability claim. The City is a member of the Independent Cities Risk Management Authority (ICRMA) for its excess liability insurance coverage and workers' compensation coverage and purchases commercial insurance for claims in excess of coverage provided by the fund for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the City participate in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior year and current year claims. The claims liability of \$672,457 reported in the fund at June 30, 2003 is based on the requirements of Governmental Accounting Standards Board (GASB) 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amounts in the fiscal years 2002 and 2003 were as follows:

	<u>Liability Beginning</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Liability at End</u>
2002	\$ 1,311,342	\$ 518,189	\$ (116,000)	\$ 1,713,531
2003	1,713,531	(89,434)	(904,406)	898,559

Note 12: Commitments and Contingencies

The City of Hawthorne has been named as a defendant in numerous lawsuits and claims arising in the course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the City, such loss has been accrued in the accompanying combined financial statements.

Developer Agreements

The City has entered into several Owner Participation Agreements to attract new business to the City of Hawthorne. The following represents the City's significant commitments with developers:

Oceangate Development

The Developer is reimbursed 25% of the sales tax generated from parcels two to four and 40% from parcels five and six for 15 years; commencing January 1, 1999. All Mello-Roos taxes received in excess of \$506,800 are refunded to the Developer until the 1998 Special Tax Refunding bonds are fully repaid and all tax increments received, except from parcel one, less the low and moderate income housing set-aside amount which is refunded to the Developer for a period of 30 years.

**City of Hawthorne
Notes to Financial Statements (Continued)**

Note 12: Commitments and Contingencies (Continued)

On July 23, 2001, the Redevelopment Agency of the City of Hawthorne approved the Sixth Implementation Agreement to the Owner Participation Agreement with Oceangate Properties, Inc. With the approval of this agreement and the subsequent Developer Disposition Agreement, the area of land that formerly occupied the Mattel buildings will now be developed into a car dealership(s) along with ancillary service facilities.

Best Buy

In July 1994, the City entered into a Developer's Agreement with Best Buy. The City will pay the developer eleven annual payments, 25% of sales tax generated by the site.

Gateway Development

In August 2000, the Agency entered into a first implementation agreement to the DDA with certain Developers. The Developers had advanced to the Agency \$5,500,000 and cancelled a Costco note for approximately \$7,000,000. In return, the Agency executed a promissory note to the Developers for \$12,500,000. The repayment of this note consisted of Mello-Roos tax refund, sales tax and transient occupancy tax refund to the extent those taxes are generated within the project site.

No provision has been made for the aforementioned commitments on the combined financial statements, as the amounts committed cannot as yet be determined.

Proposition 218

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased or extended taxes, assessments and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments and fees were imposed may be significantly impaired. The taxes, fees and assessments that are subject to the provisions of Proposition 218 that the City currently imposes for its own benefit or receives from other governmental agencies potentially include utility user taxes and business license fees. At this time, it is uncertain how Proposition 218 will affect the City's ability to maintain or increase the revenue it receives from taxes, assessments and fees.

In November 1997, the City attempted to maintain a 9% utility users tax through Proposition R. The proposition did not pass. The City imposed a 5% tax after the failure of Proposition R.

CITY OF HAWTHORNE
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
Assets:				
Pooled cash and investments	\$ 1,363,170	\$ 556,565	\$ 50,427	\$ 356,991
Receivables:				
Accounts	-	159,320	3,752	-
Taxes	16,995	-	10,546	-
Notes	-	-	-	-
Accrued interest	5,246	2,271	-	1,387
Due from other governments	-	-	-	25,529
Due from other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 1,385,411	\$ 718,156	\$ 64,725	\$ 383,907
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 48,710	\$ 89,395	\$ 22,987	\$ 5,793
Accrued liabilities	1,918	-	11,890	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	-
Total Liabilities	50,628	89,395	34,877	5,793
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Unreserved:				
Designated for debt service	-	-	-	-
Undesignated	1,334,783	628,761	29,848	378,114
Total Fund Balances	1,334,783	628,761	29,848	378,114
Total Liabilities and Fund Balances	\$ 1,385,411	\$ 718,156	\$ 64,725	\$ 383,907

Special Revenue Funds

Anti Drug Abuse Grant	High Intensity Drug Trafficking	Proposition A	Proposition C	Rosecrans/Aviation Project
\$ -	\$ -	\$ 635,100	\$ 124,276	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	4,722	433	-
995,618	3,213,622	118,022	97,889	1,567,503
-	-	-	1,749,837	-
-	-	-	-	-
\$ 995,618	\$ 3,213,622	\$ 757,844	\$ 1,972,435	\$ 1,567,503
\$ 145,764	\$ 288,628	\$ 27,413	\$ -	\$ 241,963
1,538	18,812	-	-	-
848,316	2,906,182	-	-	1,325,539
-	-	-	-	1,567,502
995,618	3,213,622	27,413	-	3,135,004
-	-	120,000	-	-
-	-	-	-	-
-	-	610,431	1,972,435	(1,567,501)
-	-	730,431	1,972,435	(1,567,501)
\$ 995,618	\$ 3,213,622	\$ 757,844	\$ 1,972,435	\$ 1,567,503

CITY OF HAWTHORNE
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003

	Special Revenue Funds			
	Air Quality	Community Development Block Grant	California Used Oil Recycling	Local Law Enforcement Block Grant
Assets:				
Pooled cash and investments	\$ 314,100	\$ 625,082	\$ 29,170	\$ 460,123
Receivables:				
Accounts	25,974	35,454	-	-
Taxes	-	-	-	-
Notes	-	3,181,022	-	-
Accrued interest	1,151	-	159	1,779
Due from other governments	-	275,628	-	-
Due from other funds	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 341,225	\$ 4,117,186	\$ 29,329	\$ 461,902
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 805	\$ 924,826	\$ 4,313	\$ 6,429
Accrued liabilities	522	11,336	377	-
Due to other funds	-	-	-	-
Deferred revenues	-	3,293,306	24,639	455,473
Total Liabilities	1,327	4,229,468	29,329	461,902
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	2,660	-	-
Unreserved:				
Designated for debt service	-	-	-	-
Undesignated	339,898	(114,942)	-	-
Total Fund Balances	339,898	(112,282)	-	-
Total Liabilities and Fund Balances	\$ 341,225	\$ 4,117,186	\$ 29,329	\$ 461,902

Special Revenue Funds

<u>COPS</u>	<u>COPS in School Grant</u>	<u>Urban Highway</u>	<u>COPS More</u>	<u>AB 2928</u>
\$ 110,365	\$ -	\$ -	\$ -	\$ -
-	-	-	-	59,316
-	-	-	-	-
-	-	-	-	-
507	-	-	-	201
-	31,324	-	49,790	-
-	-	-	-	-
-	-	-	-	-
\$ 110,872	\$ 31,324	\$ -	\$ 49,790	\$ 59,517
\$ -	\$ -	\$ -	\$ (40)	\$ -
-	10,941	-	-	-
-	20,383	-	49,830	28,937
-	-	-	-	-
-	31,324	-	49,790	28,937
-	-	-	-	-
-	-	-	-	-
110,872	-	-	-	30,580
110,872	-	-	-	30,580
\$ 110,872	\$ 31,324	\$ -	\$ 49,790	\$ 59,517

CITY OF HAWTHORNE
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003

	Special Revenue Funds		Capital Projects Funds
	California Law Enforcement Equipment Grant	Safe Route to Schools Grant	Development Impact
Assets:			
Pooled cash and investments	\$ 158,837	\$ -	\$ -
Receivables:			
Accounts	-	-	-
Taxes	-	-	-
Notes	-	-	-
Accrued interest	-	-	-
	-	388,582	-
Due from other funds	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 158,837	\$ 388,582	\$ -
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ 137,614	\$ 29
Accrued liabilities	-	-	-
Due to other funds	-	250,968	3,319
Deferred revenues	158,837	-	-
Total Liabilities	158,837	388,582	3,348
Fund Balances:			
Reserved:			
Reserved for encumbrances	-	-	-
Unreserved:			
Designated for debt service	-	-	-
Undesignated	-	-	(3,348)
Total Fund Balances	-	-	(3,348)
Total Liabilities and Fund Balances	\$ 158,837	\$ 388,582	\$ -

Debt Service Funds		
Community Redevelopment Agency	Public Financing Authority	Total Governmental Funds
\$ 2,066,366	\$ -	\$ 6,850,572
-	-	283,816
468,199	-	495,740
-	-	3,181,022
-	-	17,856
-	-	6,763,507
-	-	1,749,837
<u>1,218,917</u>	<u>1,227,244</u>	<u>2,446,161</u>
<u>\$ 3,753,482</u>	<u>\$ 1,227,244</u>	<u>\$ 21,788,511</u>
\$ -	\$ -	\$ 1,944,629
-	-	57,334
-	99,761	5,533,235
<u>1,035</u>	<u>-</u>	<u>5,500,792</u>
<u>1,035</u>	<u>99,761</u>	<u>13,035,990</u>
-	-	122,660
3,752,447	1,127,483	4,879,930
<u>-</u>	<u>-</u>	<u>3,749,931</u>
<u>3,752,447</u>	<u>1,127,483</u>	<u>8,752,521</u>
<u>\$ 3,753,482</u>	<u>\$ 1,227,244</u>	<u>\$ 21,788,511</u>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
Revenues:				
Taxes	\$ 547,121	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	1,735,307	58,409	-
Charges for services	-	-	219,307	-
Use of money and property	25,757	4,562	-	6,249
Fines and forfeitures	-	-	-	245,372
Miscellaneous	-	-	(24,249)	-
Total Revenues	572,878	1,739,869	253,467	251,621
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	188,503
Community development	-	-	-	-
Public works	639,864	768,794	1,337,340	-
Capital outlay	-	-	23,890	22,157
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	639,864	768,794	1,361,230	210,660
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66,986)	971,075	(1,107,763)	40,961
Other Financing Sources (Uses):				
Transfers in	-	-	1,168,972	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	1,168,972	-
Net Change in Fund Balances	(66,986)	971,075	61,209	40,961
Fund Balances, Beginning of Year, as Reported	1,401,769	(342,314)	(31,361)	337,153
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	1,401,769	(342,314)	(31,361)	337,153
Fund Balances, End of Year	\$ 1,334,783	\$ 628,761	\$ 29,848	\$ 378,114

Special Revenue Funds				
Anti Drug Abuse Grant	High Intensity Drug Trafficking	Proposition A	Proposition C	Rosecrans/ Aviation Project
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
1,843,469	5,028,256	1,141,408	946,582	-
-	-	-	24,617	-
-	-	22,446	964	-
-	-	-	-	-
-	-	-	-	61,749
1,843,469	5,028,256	1,163,854	972,163	61,749
-	-	1,249,764	715,842	-
1,843,469	5,028,256	-	-	-
-	-	-	-	-
-	-	-	-	831,445
-	-	-	-	-
-	-	-	-	-
1,843,469	5,028,256	1,249,764	715,842	831,445
-	-	(85,910)	256,321	(769,696)
-	-	-	-	-
-	-	-	-	-
-	-	(85,910)	256,321	(769,696)
-	-	816,341	1,716,114	-
-	-	-	-	(797,805)
-	-	816,341	1,716,114	(797,805)
\$ -	\$ -	\$ 730,431	\$ 1,972,435	\$ (1,567,501)

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003

	Special Revenue Funds			
	Air Quality	Community Development Block Grant	California Used Oil Recycling	Local Law Enforcement Block Grant
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	126,233	3,096,801	45,349	421,588
Charges for services	-	357,990	-	-
Use of money and property	5,311	-	671	8,007
Fines and forfeitures	-	-	-	-
Miscellaneous	24,249	-	-	-
Total Revenues	155,793	3,454,791	46,020	429,595
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	138,813
Community development	71,511	3,553,520	-	-
Public works	-	-	46,019	-
Capital outlay	-	4,555	-	331,084
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	8,998	-	-
Pass-through agreement payments	-	-	-	-
Total Expenditures	71,511	3,567,073	46,019	469,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	84,282	(112,282)	1	(40,302)
Other Financing Sources (Uses):				
Transfers in	-	-	-	40,302
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	40,302
Net Change in Fund Balances	84,282	(112,282)	1	-
Fund Balances, Beginning of Year, as Reported	255,616	(111,609)	(1)	-
Restatements	-	111,609	-	-
Fund Balances, Beginning of Year, as Restated	255,616	-	(1)	-
Fund Balances, End of Year	\$ 339,898	\$ (112,282)	\$ -	\$ -

Special Revenue Funds

<u>COPS</u>	<u>COPS in School Grant</u>	<u>Urban Highway</u>	<u>COPS More</u>	<u>AB 2928</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
171,617	204,040	-	755,697	224,144
-	-	-	-	-
2,744	-	-	-	222
-	-	-	-	-
-	91,294	289	-	-
174,361	295,334	289	755,697	224,366
-	-	-	-	124,196
143,021	295,334	-	755,697	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
143,021	295,334	-	755,697	124,196
31,340	-	289	-	100,170
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
31,340	-	289	-	100,170
79,532	-	(289)	-	(69,590)
-	-	-	-	-
79,532	-	(289)	-	(69,590)
\$ 110,872	\$ -	\$ -	\$ -	\$ 30,580

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003

	Special Revenue Funds		Capital Projects Funds
	California Law Enforcement Equipment Grant	Safe Route to Schools Grant	Development Impact
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	407,589
Intergovernmental	-	388,582	-
Charges for services	-	-	-
Use of money and property	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Total Revenues	-	388,582	407,589
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	-	29,570
Public works	-	388,582	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Pass-through agreement payments	-	-	-
Total Expenditures	-	388,582	29,570
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	378,019
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	378,019
Fund Balances, Beginning of Year, as Reported	-	-	(381,367)
Restatements	-	-	-
Fund Balances, Beginning of Year, as Restated	-	-	(381,367)
Fund Balances, End of Year	\$ -	\$ -	\$ (3,348)

Debt Service Funds		
Community Redevelopment Agency	Public Financing Authority	Total Governmental Funds
\$ 3,916,215	\$ -	\$ 4,463,336
-	-	407,589
-	-	16,187,482
-	-	601,914
45,581	1,971	124,485
-	-	245,372
-	-	153,332
3,961,796	1,971	22,183,510
-	14,618	2,104,420
-	-	8,393,093
97,514	-	3,752,115
-	-	3,180,599
-	-	1,213,131
265,000	718,898	983,898
1,060,079	-	1,069,077
1,736,742	-	1,736,742
3,159,335	733,516	22,433,075
802,461	(731,545)	(249,565)
359,600	720,462	2,289,336
(400,000)	-	(400,000)
(40,400)	720,462	1,889,336
762,061	(11,083)	1,639,771
2,990,386	1,138,566	7,798,946
-	-	(686,196)
2,990,386	1,138,566	7,112,750
\$ 3,752,447	\$ 1,127,483	\$ 8,752,521

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,401,769	\$ 1,401,769	\$ 1,401,769	\$ -
Resources (Inflows):				
Taxes	560,000	560,000	547,121	(12,879)
Use of money and property	50,000	50,000	25,757	(24,243)
Amounts Available for Appropriation	2,011,769	2,011,769	1,974,647	(37,122)
Charges to Appropriation (Outflow):				
Public works	699,320	711,944	639,864	72,080
Total Charges to Appropriations	699,320	711,944	639,864	72,080
Budgetary Fund Balance, June 30	\$ 1,312,449	\$ 1,299,825	\$ 1,334,783	\$ 34,958

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (342,314)	\$ (342,314)	\$ (342,314)	\$ -
Resources (Inflows):				
Intergovernmental	1,615,000	1,615,000	1,735,307	120,307
Use of money and property	1,000	1,000	4,562	3,562
Amounts Available for Appropriation	1,273,686	1,273,686	1,397,555	123,869
Charges to Appropriation (Outflow):				
Public works	1,451,222	1,467,851	768,794	699,057
Total Charges to Appropriations	1,451,222	1,467,851	768,794	699,057
Budgetary Fund Balance, June 30	\$ (177,536)	\$ (194,165)	\$ 628,761	\$ 822,926

**BUDGETARY COMPARISON SCHEDULES
STREET
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (31,361)	\$ (31,361)	\$ (31,361)	\$ -
Resources (Inflows):				
Intergovernmental	35,000	35,000	58,409	23,409
Charges for services	220,000	220,000	219,307	(693)
Other	-	-	(24,249)	(24,249)
Transfers from other funds	1,169,152	1,169,152	1,168,972	(180)
Amounts Available for Appropriation	1,392,791	1,392,791	1,391,078	(1,713)
Charges to Appropriation (Outflow):				
Public works	1,301,601	1,364,746	1,337,340	27,406
Capital outlay	-	26,000	23,890	2,110
Total Charges to Appropriations	1,301,601	1,390,746	1,361,230	29,516
Budgetary Fund Balance, June 30	\$ 91,190	\$ 2,045	\$ 29,848	\$ 27,803

**BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 337,153	\$ 337,153	\$ 337,153	\$ -
Resources (Inflows):				
Use of money and property	10,000	10,000	6,249	(3,751)
Fines and forfeitures	150,000	150,000	245,372	95,372
Amounts Available for Appropriation	497,153	497,153	588,774	91,621
Charges to Appropriation (Outflow):				
Public safety	150,000	152,841	188,503	(35,662)
Capital outlay	-	-	22,157	(22,157)
Total Charges to Appropriations	150,000	152,841	210,660	(57,819)
Budgetary Fund Balance, June 30	\$ 347,153	\$ 344,312	\$ 378,114	\$ 33,802

**BUDGETARY COMPARISON SCHEDULE
ANTI DRUG ABUSE GRANT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	1,612,796	3,215,592	1,843,469	(1,372,123)
Amounts Available for Appropriation	1,612,796	3,215,592	1,843,469	(1,372,123)
Charges to Appropriation (Outflow):				
Public safety	1,619,191	3,221,987	1,843,469	1,378,518
Total Charges to Appropriations	1,619,191	3,221,987	1,843,469	1,378,518
Budgetary Fund Balance, June 30	\$ (6,395)	\$ (6,395)	\$ -	\$ 6,395

**BUDGETARY COMPARISON SCHEDULE
HIGH INTENSITY DRUG TRAFFICKING
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	7,045,267	7,095,267	5,028,256	(2,067,011)
Amounts Available for Appropriation	7,045,267	7,095,267	5,028,256	(2,067,011)
Charges to Appropriation (Outflow):				
Public safety	7,347,015	7,397,015	5,028,256	2,368,759
Total Charges to Appropriations	7,347,015	7,397,015	5,028,256	2,368,759
Budgetary Fund Balance, June 30	\$ (301,748)	\$ (301,748)	\$ -	\$ 301,748

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION A
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 816,341	\$ 816,341	\$ 816,341	\$ -
Resources (Inflows):				
Intergovernmental	1,100,000	1,100,000	1,141,408	41,408
Use of money and property	20,000	20,000	22,446	2,446
Amounts Available for Appropriation	1,936,341	1,936,341	1,980,195	43,854
Charges to Appropriation (Outflow):				
General government	1,323,000	1,323,000	1,249,764	73,236
Total Charges to Appropriations	1,323,000	1,323,000	1,249,764	73,236
Budgetary Fund Balance, June 30	\$ 613,341	\$ 613,341	\$ 730,431	\$ 117,090

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION C
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,716,114	\$ 1,716,114	\$ 1,716,114	\$ -
Resources (Inflows):				
Intergovernmental	950,000	950,000	946,582	(3,418)
Charges for services	25,000	25,000	24,617	(383)
Use of money and property	20,000	20,000	964	(19,036)
Amounts Available for Appropriation	2,711,114	2,711,114	2,688,277	(22,837)
Charges to Appropriation (Outflow):				
General government	1,412,750	1,428,070	715,842	712,228
Total Charges to Appropriations	1,412,750	1,428,070	715,842	712,228
Budgetary Fund Balance, June 30	\$ 1,298,364	\$ 1,283,044	\$ 1,972,435	\$ 689,391

**BUDGETARY COMPARISON SCHEDULE
ROSECRANS/AVIATION PROJECT
YEAR ENDED JUNE 30, 2003**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (797,805)	\$ (797,805)	\$ (797,805)	\$ -
Resources (Inflows):				
Intergovernmental	4,480,000	4,480,000	-	(4,480,000)
Other	643,851	643,851	61,749	(582,102)
Amounts Available for Appropriation	4,326,046	4,326,046	(736,056)	(5,062,102)
Charges to Appropriation (Outflow):				
Capital outlay	5,123,581	5,123,851	831,445	4,292,406
Total Charges to Appropriations	5,123,581	5,123,851	831,445	4,292,406
Budgetary Fund Balance, June 30	\$ (797,535)	\$ (797,805)	\$ (1,567,501)	\$ (769,696)

CITY OF HAWTHORNE

Schedule 3J

BUDGET COMPARISON SCHEDULE
AIR QUALITY
YEAR ENDED JUNE 30, 2003

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 255,616	\$ 255,616	\$ 255,616	\$ -
Resources (Inflows):				
Intergovernmental	85,000	85,000	126,233	41,233
Use of money and property	8,000	8,000	5,311	(2,689)
Other	-	-	24,249	24,249
Amounts Available for Appropriation	348,616	348,616	411,409	62,793
Charges to Appropriation (Outflow):				
Community development	84,325	86,969	71,511	15,458
Total Charges to Appropriations	84,325	86,969	71,511	15,458
Budgetary Fund Balance, June 30	\$ 264,291	\$ 261,647	\$ 339,898	\$ 78,251

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	2,634,536	5,116,941	3,096,801	(2,020,140)
Charges for services	570,968	570,968	357,990	(212,978)
Other	1,000,000	1,000,000	-	(1,000,000)
Amounts Available for Appropriation	4,205,504	6,687,909	3,454,791	(3,233,118)
Charges to Appropriation (Outflow):				
Community development	4,165,732	5,473,624	3,553,520	1,920,104
Capital outlay	-	20,000	4,555	15,445
Debt service:				
Interest and fiscal charges	-	14,000	8,998	5,002
Total Charges to Appropriations	4,165,732	5,507,624	3,567,073	1,940,551
Budgetary Fund Balance, June 30	\$ 39,772	\$ 1,180,285	\$ (112,282)	\$ (1,292,567)

**BUDGETARY COMPARISON SCHEDULE
CALIFORNIA USED OIL RECYCLING
YEAR ENDED JUNE 30, 2003**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (1)	\$ (1)	\$ (1)	\$ -
Resources (Inflows):				
Intergovernmental	38,897	38,897	45,349	6,452
Use of money and property	-	-	671	671
Amounts Available for Appropriation	38,896	38,896	46,019	7,123
Charges to Appropriation (Outflow):				
Public works	37,758	39,901	46,019	(6,118)
Total Charges to Appropriations	37,758	39,901	46,019	(6,118)
Budgetary Fund Balance, June 30	\$ 1,138	\$ (1,005)	\$ -	\$ 1,005

**BUDGETARY COMPARISON SCHEDULE
LOCAL LAW ENFORCEMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	305,376	305,376	421,588	116,212
Use of money and property	10,000	10,000	8,007	(1,993)
Transfers from other funds	40,302	40,302	40,302	-
Amounts Available for Appropriation	355,678	355,678	469,897	114,219
Charges to Appropriation (Outflow):				
Public safety	350,981	255,376	138,813	116,563
Capital outlay	-	100,302	331,084	(230,782)
Total Charges to Appropriations	350,981	355,678	469,897	(114,219)
Budgetary Fund Balance, June 30	\$ 4,697	\$ -	\$ -	\$ -

**BUDGETARY COMPARISON SCHEDULE
COPS
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 79,532	\$ 79,532	\$ 79,532	\$ -
Resources (Inflows):				
Intergovernmental	175,000	175,000	171,617	(3,383)
Invest income	1,000	1,000	2,744	1,744
Amounts Available for Appropriation	255,532	255,532	253,893	(1,639)
Charges to Appropriation (Outflow):				
Public safety	185,000	188,020	143,021	44,999
Total Charges to Appropriations	185,000	188,020	143,021	44,999
Budgetary Fund Balance, June 30	\$ 70,532	\$ 67,512	\$ 110,872	\$ 43,360

**BUDGETARY COMPARISON SCHEDULE
COPS IN SCHOOL GRANT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	125,000	125,000	204,040	79,040
Other	126,375	126,375	91,294	(35,081)
Amounts Available for Appropriation	251,375	251,375	295,334	43,959
Charges to Appropriation (Outflow):				
Public safety	251,375	251,375	295,334	(43,959)
Total Charges to Appropriations	251,375	251,375	295,334	(43,959)
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

**BUDGETARY COMPARISON SCHEDULE
URBAN HIGHWAY
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (289)	\$ (289)	\$ (289)	\$ -
Resources (Inflows):				
Intergovernmental	743,329	743,329	-	(743,329)
Other	-	-	289	289
Amounts Available for Appropriation	743,040	743,040	-	(743,040)
Budgetary Fund Balance, June 30	\$ 743,040	\$ 743,040	\$ -	\$ (743,040)

**BUDGETARY COMPARISON SCHEDULE
COPS MORE
YEAR ENDED JUNE 30, 2003**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	1,830,283	1,830,283	755,697	(1,074,586)
Amounts Available for Appropriation	1,830,283	1,830,283	755,697	(1,074,586)
Charges to Appropriation (Outflow):				
Public safety	1,830,283	1,830,283	755,697	1,074,586
Total Charges to Appropriations	1,830,283	1,830,283	755,697	1,074,586
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

**BUDGETARY COMPARISON SCHEDULE
AB 2928
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (69,590)	\$ (69,590)	\$ (69,590)	\$ -
Resources (Inflows):				
Intergovernmental	130,000	130,000	224,144	94,144
Invest income	10,000	10,000	222	(9,778)
Amounts Available for Appropriation	70,410	70,410	154,776	84,366
Charges to Appropriation (Outflow):				
General government	260,000	260,849	124,196	136,653
Total Charges to Appropriations	260,000	260,849	124,196	136,653
Budgetary Fund Balance, June 30	\$ (189,590)	\$ (190,439)	\$ 30,580	\$ 221,019

**BUDGETARY COMPARISON SCHEDULE
SAFE ROUTE TO SCHOOLS GRANT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	500,000	500,000	388,582	(111,418)
Amounts Available for Appropriation	500,000	500,000	388,582	(111,418)
Charges to Appropriation (Outflow):				
Public works	500,000	500,000	388,582	111,418
Total Charges to Appropriations	500,000	500,000	388,582	111,418
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

**BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT
YEAR ENDED JUNE 30, 2003**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (381,367)	\$ (381,367)	\$ (381,367)	\$ -
Resources (Inflows):				
Licenses and permits	150,000	150,000	407,589	257,589
Amounts Available for Appropriation	(231,367)	(231,367)	26,222	257,589
Charges to Appropriation (Outflow):				
Community development	140,450	140,657	29,570	111,087
Total Charges to Appropriations	140,450	140,657	29,570	111,087
Budgetary Fund Balance, June 30	\$ (371,817)	\$ (372,024)	\$ (3,348)	\$ 368,676

**BUDGETARY COMPARISON SCHEDULE
POLICE FACILITY
YEAR ENDED JUNE 30, 2003**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (1,161,473)	\$ (1,161,473)	\$ (1,161,473)	\$ -
Resources (Inflows):				
Notes and loans issued	20,000,000	20,000,000	7,759,778	(12,240,222)
Transfers from other funds	2,235,000	2,235,000	2,235,000	-
Amounts Available for Appropriation	21,073,527	21,073,527	8,833,305	(12,240,222)
Charges to Appropriation (Outflow):				
Public safety	-	939,872	606,955	332,917
Capital outlay	22,233,026	21,344,854	10,876,869	10,467,985
Total Charges to Appropriations	22,233,026	22,284,726	11,483,824	10,800,902
Budgetary Fund Balance, June 30	\$ (1,159,499)	\$ (1,211,199)	\$ (2,650,519)	\$ (1,439,320)

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY - CAPITAL PROJECT
YEAR ENDED JUNE 30, 2003**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$(32,484,046)	\$(32,484,046)	\$(32,484,046)	\$ -
Resources (Inflows):				
Taxes	705,000	705,000	861,100	156,100
Use of money and property	132,200	132,200	106,338	(25,862)
Notes and loans issued	1,600,000	1,600,000	-	(1,600,000)
Transfers from other funds	-	200,000	400,000	200,000
Amounts Available for Appropriation	<u>(30,046,846)</u>	<u>(29,846,846)</u>	<u>(31,116,608)</u>	<u>(1,269,762)</u>
Charges to Appropriation (Outflow):				
Community development	2,048,939	1,388,954	1,376,713	12,241
Capital outlay	500,000	-	-	-
Debt service:				
Principal	367,802	217,952	150,225	67,727
Interest and fiscal charges	-	-	3,767,948	(3,767,948)
Pass-through agreement payments	175,000	175,000	147,283	27,717
Contribution to agency funds	-	500,000	742,761	(242,761)
Transfers to other funds	359,600	359,600	359,600	-
Total Charges to Appropriations	<u>3,451,341</u>	<u>2,641,506</u>	<u>6,544,530</u>	<u>(3,903,024)</u>
Budgetary Fund Balance, June 30	<u>\$(33,498,187)</u>	<u>\$(32,488,352)</u>	<u>\$(37,661,138)</u>	<u>\$ (5,172,786)</u>

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY - DEBT SERVICE
YEAR ENDED JUNE 30, 2003**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 2,990,386	\$ 2,990,386	\$ 2,990,386	\$ -
Resources (Inflows):				
Taxes	4,112,000	4,112,000	3,916,215	(195,785)
Intergovernmental	(2,315,520)	(2,315,520)	-	2,315,520
Use of money and property	45,000	45,000	45,581	581
Transfers from other funds	-	801,780	359,600	(442,180)
Amounts Available for Appropriation	4,831,866	5,633,646	7,311,782	1,678,136
Charges to Appropriation (Outflow):				
Community development	11,100	30,500	97,514	(67,014)
Debt service:				
Principal	410,000	410,000	265,000	145,000
Interest and fiscal charges	1,044,518	1,044,518	1,060,079	(15,561)
Pass-through agreement payments	-	-	1,736,742	(1,736,742)
Transfers to other funds	942,180	942,180	400,000	542,180
Total Charges to Appropriations	2,407,798	2,427,198	3,559,335	(1,132,137)
Budgetary Fund Balance, June 30	\$ 2,424,068	\$ 3,206,448	\$ 3,752,447	\$ 545,999

**BUDGETARY COMPARISON SCHEDULE
PUBLIC FINANCING AUTHORITY
YEAR ENDED JUNE 30, 2003**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,138,566	\$ 1,138,566	\$ 1,138,566	\$ -
Resources (Inflows):				
Use of money and property	5,000	5,000	1,971	(3,029)
Transfers from other funds	-	723,332	720,462	(2,870)
Amounts Available for Appropriation	1,143,566	1,866,898	1,860,999	(5,899)
Charges to Appropriation (Outflow):				
General government	-	-	14,618	(14,618)
Debt service:				
Principal	722,597	731,715	718,898	12,817
Total Charges to Appropriations	722,597	731,715	733,516	(1,801)
Budgetary Fund Balance, June 30	\$ 420,969	\$ 1,135,183	\$ 1,127,483	\$ (7,700)

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2003**

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Totals</u>
Assets:			
Current:			
Cash and investments	\$ 345,753	\$ 312,225	\$ 657,978
Receivables:			
Accounts	83,278	29,701	112,979
Total Current Assets	429,031	341,926	770,957
Noncurrent:			
Fixed assets - net of accumulated depreciation	2,818,541	267,283	3,085,824
Total Noncurrent Assets	2,818,541	267,283	3,085,824
Total Assets	\$ 3,247,572	\$ 609,209	\$ 3,856,781
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 372,569	\$ 36,827	\$ 409,396
Accrued payroll payable	11,533	6,360	17,893
Deposits payable	42,573	-	42,573
Due to other governments	83	-	83
Total Current Liabilities	426,758	43,187	469,945
Noncurrent:			
Bonds, notes and loans payable	90,579	-	90,579
Total Noncurrent Liabilities	90,579	-	90,579
Total Liabilities	517,337	43,187	560,524
Net Assets:			
Invested in capital assets, net of related debt	2,818,541	267,283	3,085,824
Unrestricted	(88,306)	298,739	210,433
Total Net Assets	2,730,235	566,022	3,296,257
Total Liabilities and Net Assets	\$ 3,247,572	\$ 609,209	\$ 3,856,781

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2003**

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Totals</u>
Operating Revenues:			
Sales and service charges	\$ 75,032	\$ 332,579	\$ 407,611
Miscellaneous	(28,175)	4,802	(23,373)
Total Operating Revenues	46,857	337,381	384,238
Operating Expenses:			
Source of supply	-	128,791	128,791
Cost of sales and services	-	57,967	57,967
Administration and general	604,786	193,163	797,949
Depreciation	141,395	97,633	239,028
Total Operating Expenses	746,181	477,554	1,223,735
Operating Income (Loss)	(699,324)	(140,173)	(839,497)
Nonoperating Revenues (Expenses):			
Interest revenue	565,709	-	565,709
Contribution from City	5,961	-	5,961
Total Nonoperating Revenues (Expenses)	571,670	-	571,670
Changes in Net Assets	(127,654)	(140,173)	(267,827)
Net Assets:			
Beginning of Fiscal Year	2,857,889	706,195	3,564,084
End of Fiscal Year	\$ 2,730,235	\$ 566,022	\$ 3,296,257

**STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Business-Type Activities - Enterprise Funds		
	Airport	Sewer and Storm Drain	Totals
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 60,823	\$ 342,428	\$ 403,251
Cash paid to supplies for good and services	53,754	(171,586)	(117,832)
Cash paid to employees for services	(601,099)	(191,651)	(792,750)
Net Cash Provided (Used) by Operating Activities	(486,522)	(20,809)	(507,331)
Cash Flows from Noncapital Financing Activities:			
Contributions	5,961	-	5,961
Net Cash Provided (Used) by Noncapital Financing Activities	5,961	-	5,961
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	(80,790)	(11,204)	(91,994)
Net Cash Provided (Used) by Capital and Related Financing Activities	(80,790)	(11,204)	(91,994)
Cash Flows from Investing Activities:			
Interest received	565,709	-	565,709
Net Cash Provided (Used) by Investing Activities	565,709	-	565,709
Net Increase (Decrease) in Cash and Cash Equivalents	4,358	(32,013)	(27,655)
Cash and Cash Equivalents at Beginning of Year	341,395	344,238	685,633
Cash and Cash Equivalents at End of Year	\$ 345,753	\$ 312,225	\$ 657,978

**STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Business-Type Activities - Enterprise Funds		
	Airport	Sewer and Storm Drain	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (699,324)	\$ (140,173)	\$ (839,497)
Adjustments to reconcile operating income (loss) to to net cash provided (used) by operating activities:			
Depreciation	141,395	97,633	239,028
(Increase) decrease in accounts receivable	13,966	5,047	19,013
Increase (decrease) in accounts payable	53,754	15,172	68,926
Increase (decrease) in accrued liabilities	(226)	1,512	1,286
Increase (decrease) in compensated absences payable	3,913		3,913
Total Adjustments	212,802	119,364	332,166
Net Cash Provided (Used) by Operating Activities	\$ (486,522)	\$ (20,809)	\$ (507,331)

Non-Cash Investing, Capital, and Financing Activities:

There were no non-cash activities during the year.

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2003**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total</u>
Assets:			
Current:			
Cash and investments	\$ 2,521,290	\$ 1,977,583	\$ 4,498,873
Receivables (net of allowance for uncollectibles):			
Accounts	-	850,000	850,000
Loans and notes	310,000	-	310,000
Inventories	14,311	-	14,311
	<u>2,845,601</u>	<u>2,827,583</u>	<u>5,673,184</u>
Total Current Assets			
Noncurrent:			
Machinery, equipment and vehicles	4,713,410	-	4,713,410
Accumulated depreciation	(2,563,036)	-	(2,563,036)
	<u>2,150,374</u>	<u>-</u>	<u>2,150,374</u>
Fixed assets - net of accumulated depreciation			
	<u>2,150,374</u>	<u>-</u>	<u>2,150,374</u>
	<u>\$ 4,995,975</u>	<u>\$ 2,827,583</u>	<u>\$ 7,823,558</u>
Total Assets			
Liabilities and Fund Equity:			
Liabilities:			
Current:			
Accounts payable	\$ 25,228	\$ 136,042	\$ 161,270
Claims payable	-	898,559	898,559
Accrued liabilities	12,228	8,094	20,322
	<u>37,456</u>	<u>1,042,695</u>	<u>1,080,151</u>
Total Current Liabilities			
Long-Term Liabilities:			
Lease payable	1,237,263	-	1,237,263
	<u>1,237,263</u>	<u>-</u>	<u>1,237,263</u>
Total Liabilities			
	<u>1,274,719</u>	<u>1,042,695</u>	<u>2,317,414</u>
Net Assets:			
Invested in capital assets, net of related debt	913,111	-	913,111
Unrestricted	2,808,145	1,784,888	4,593,033
	<u>3,721,256</u>	<u>1,784,888</u>	<u>5,506,144</u>
Total Net Assets			
	<u>3,721,256</u>	<u>1,784,888</u>	<u>5,506,144</u>
Total Liabilities and Net Assets			
	<u>\$ 4,995,975</u>	<u>\$ 2,827,583</u>	<u>\$ 7,823,558</u>

**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2003**

	Equipment Replacement	Insurance Reserve	Totals
Operating Revenues:			
Sales and service charges	\$ 1,870,884	\$ 3,095,832	\$ 4,966,716
Miscellaneous	45,765	1,125,619	1,171,384
	1,916,649	4,221,451	6,138,100
Operating Expenses:			
Materials and supplies	408,760	-	408,760
Contractual services	42,872	2,152,233	2,195,105
Administration and general	416,121	-	416,121
Depreciation	685,673	-	685,673
	1,553,426	2,152,233	3,705,659
Operating Income (Loss)	363,223	2,069,218	2,432,441
Non-Operating Revenues (Expenses):			
Gain (loss) from sale of fixed assets	23,963	-	23,963
	23,963	-	23,963
Income Before Contributions and Transfers	387,186	2,069,218	2,456,404
Capital Contributions	33,008	-	33,008
Transfers In	1,000,000	-	1,000,000
Change in Net Assets	1,420,194	2,069,218	3,489,412
Net Assets:			
Beginning of Fiscal Year	2,301,062	(284,330)	2,016,732
End of Fiscal Year	\$ 3,721,256	\$ 1,784,888	\$ 5,506,144

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2003**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from interfund service provided	\$ 1,934,814	\$ 3,456,442	\$ 5,391,256
Cash payments to supplies for good and services	(463,425)	(3,020,132)	(3,483,557)
Cash payments to employees for services	(384,322)	(2,146)	(386,468)
Net Cash Provided (Used) by Operating Activities	1,087,067	434,164	1,521,231
Cash Flows from Noncapital Financing Activities:			
Cash transfer from other funds	1,000,000	-	1,000,000
Net Cash Provided (Used) by Noncapital Financing Activities	1,000,000	-	1,000,000
Cash Flows from Capital and Related Financing Activities:			
Proceeds from capital debt	847,030	-	847,030
Capital contributions	33,008	-	33,008
Purchases of capital assets	(930,460)	-	(930,460)
Principal paid on capital debt	(864,056)	-	(864,056)
Proceeds from sales of capital assets	23,963	-	23,963
Net Cash Provided (Used) by Capital and Related Financing Activities	(890,515)	-	(890,515)
Net Increase (Decrease) in Cash and Cash Equivalents	1,196,552	434,164	1,630,716
Cash and Cash Equivalents, Beginning of Year	1,324,738	1,543,419	2,868,157
Cash and Cash Equivalents, End of Year	\$ 2,521,290	\$ 1,977,583	\$ 4,498,873

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2003**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 363,223	\$ 2,069,218	\$ 2,432,441
Adjustments to reconcile operating income (loss) to to net cash provided (used) by operating activities:			
Depreciation	685,673	-	685,673
(Increase) decrease in accounts receivable	18,165	(765,009)	(746,844)
Increase (decrease) in accounts payable	(11,793)	(52,927)	(64,720)
Increase (decrease) in accrued liabilities	1,875	(2,146)	(271)
Increase (decrease) in compensated absences payable	29,924	-	29,924
Increase (decrease) in claims and judgments payable	-	(814,972)	(814,972)
Total Adjustments	<u>723,844</u>	<u>(1,635,054)</u>	<u>(911,210)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,087,067</u>	<u>\$ 434,164</u>	<u>\$ 1,521,231</u>

Non-Cash Investing, Capital, and Financing Activities:

There were no non-cash activities during the year.

**COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2003**

	Community Facilities District	City Agency	Totals
Assets:			
Cash and investments	\$ 1,404,287	\$ 165,889	\$ 1,570,176
Deposits	-	360,000	360,000
Restricted assets:			
Cash with fiscal agent	3,971,527	-	3,971,527
Total Assets	\$ 5,375,814	\$ 525,889	\$ 5,901,703
Liabilities:			
Accounts payable	\$ 52	\$ 8,746	\$ 8,798
Accrued liabilities	621,000	163,032	784,032
Deposits	-	354,111	354,111
Due to bondholders	4,754,762	-	4,754,762
Total Liabilities	\$ 5,375,814	\$ 525,889	\$ 5,901,703

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2003**

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2003</u>
<u>City Agency</u>				
Assets:				
Cash and investments	\$ -	\$ 6,331,414	\$ 6,165,525	\$ 165,889
Deposits	528,081	-	168,081	360,000
Total Assets	\$ 528,081	\$ 6,331,414	\$ 6,333,606	\$ 525,889
Liabilities:				
Accrued liabilities	\$ 8,746	\$ 3,019,944	\$ 2,865,658	\$ 163,032
Deposits payable	444,861	1,412,384	1,503,134	354,111
Accounts payable	900	1,899,086	1,891,240	8,746
Due to other funds	73,574	-	73,574	-
Total Liabilities	\$ 528,081	\$ 6,331,414	\$ 6,333,606	\$ 525,889
<u>Community Facilities District</u>				
Assets:				
Cash and investments	\$ 923,732	\$ 3,033,302	\$ 2,552,747	\$ 1,404,287
Cash and investments held by fiscal agent	4,228,222	2,758,172	3,014,867	3,971,527
Total Assets	\$ 5,151,954	\$ 5,791,474	\$ 5,567,614	\$ 5,375,814
Liabilities:				
Accrued liabilities	\$ 621,000	\$ -	\$ -	\$ 621,000
Accounts payable	-	82,905	82,853	52
Due to bond holders	4,530,954	5,708,569	5,484,761	4,754,762
Total Liabilities	\$ 5,151,954	\$ 5,791,474	\$ 5,567,614	\$ 5,375,814
<u>All Agency Funds</u>				
Assets:				
Cash and investments	\$ 923,732	\$ 9,364,716	\$ 8,718,272	\$ 1,570,176
Cash and investments held by fiscal agent	4,228,222	2,758,172	3,014,867	3,971,527
Deposits	528,081	-	168,081	360,000
Total Assets	\$ 5,680,035	\$ 12,122,888	\$ 11,901,220	\$ 5,901,703
Liabilities:				
Accrued liabilities	\$ 629,746	\$ 3,019,944	\$ 2,865,658	\$ 784,032
Accounts payable	900	1,899,086	1,891,240	8,746
Due to other funds	73,574	-	73,574	-
Deposits payable	444,861	1,412,384	1,503,134	354,111
Due to bond holders	4,530,954	5,708,569	5,484,761	4,754,762
Total Liabilities	\$ 5,680,035	\$ 12,039,983	\$ 11,818,367	\$ 5,901,651