

CITY OF HAWTHORNE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2004

CITY OF HAWTHORNE

JUNE 30, 2004

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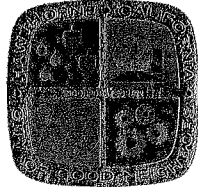
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January 4, 2005

**Honorable Mayor and Members of the City Council
City of Hawthorne
Hawthorne, California**

It is my pleasure to submit for your information the Comprehensive Annual Financial Report (CAFR) of the City of Hawthorne, California (City) for the fiscal year ended June 30, 2004. Responsibility for the accuracy, completeness, and fairness of the data presented including all disclosures, rests with the City. We believe that information presented is accurate in all material aspects, and that it is reported in a manner designed to fairly present the financial position and results of operations of the various funds, account groups, and component units of the City of Hawthorne. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB), and include the report of the City's independent public accountants, Lance, Soll & Lunghard.

This CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes the table of contents, transmittal letter and the organization chart of the City. The financial section consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, the notes to the financial statements, the combining and individual fund financial statements and schedules. The statistical section, which is not audited, contains selected financial and demographic information, generally presented on a multi-year basis.

DESCRIPTION OF REPORTING ENTITY

This report includes all funds and account groups of the City and those component units for which the City Council is financially accountable. Accordingly, this report incorporates financial data for the Hawthorne Redevelopment Agency, Public Financing Authority, Parking Authority and the Housing Authority.

The City of Hawthorne provides a full range of services including police, fire (contracted), parks and recreation, public works, community development and housing, as well as certain enterprise activities including sewer & storm drain and a municipal airport.

DESCRIPTION OF CITY

The City of Hawthorne was incorporated July 25, 1922, as a general law city in the State of California and operates under a Council-Manager form of government. Council-members are elected at large for four-year terms and the Mayor is elected at large for a two-year term. Located in the South Bay area of Los Angeles County, Hawthorne encompasses 5.5 sq. miles and has a population of 88,180. The economic base is diversified, with an equal mix of residential, commercial and industrial development.

ACCOMPLISHMENTS, ECONOMIC CONDITION AND OUTLOOK

During fiscal year 2003-04 the City of Hawthorne continued its recovery from the financial doldrums that it found itself in during the mid-to-late 1990s. Contributing factors such as the improved economy, sound financial management and progressive commercial development has aided the recovery.

With improving financial stability the City continues to strive to provide extra services and programs to enhance the quality of life to the Hawthorne residents.

Some of the projects undertaken during the year include a number of reconstruction and improvement projects carried out to various streets and highways within the city boundaries; the commencement of a major street-widening project on Rosecrans Boulevard; completion and opening of the Larry Guidi Skatepark; completion of the Eucalyptus and Glasgow Parks; continued construction of the new City of Hawthorne police facility; increased spending on public safety, including the 7-days a week operation of the Traffic Bureau, operation of the Animal Control program to be run by the city, 7-days a week operation of the Code Enforcement and Graffiti Removal programs.

During the year the city began to reap the benefits of completed redevelopment projects on the west side of the city. The auto-dealerships, the big-box and the smaller retail outlets on the Gateway and Oceangate Developments brought in large volumes of visitors and customers to the city. The warehousing facilities at the Exchange Development on El Segundo and Crenshaw Boulevards as well as the Lowes Home Improvement were completed. Development is further continuing at this location with other major retailers and leisure facilities in the plans.

The city has also executed development agreements with a developer to carry out improvements and to modernize the Hawthorne Municipal Airport in order that the airport can return to the glory days of the 1980s and be a major asset to the city and the South Bay region.

During the year the city completed the annexation of certain land (from the City of El Segundo) in an attempt to modernize the LA Air Force Base and keep this facility in the South Bay. Development plans include a major residential development in the City of Hawthorne.

In fiscal year 2003-04 the City of Hawthorne experienced significant increases in property values, new businesses locating to the city and attracted a number of developers who have indicated considerable interest in developing various areas of the city.

Despite the brighter economic outlook the city will need to continue to operate with its prudent and sound financial manner. The possibility of a

general recession, statewide budget deficits and cessation of various funding sources still exist.

FINANCIAL INFORMATION

Accounting and Internal Controls

The City has developed and maintained its accounting system with due consideration given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance that assets are adequately safeguarded from waste, fraud and inefficient use, and that financial records maintained would allow for the preparation of financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it and that the evaluation of costs and benefits requires estimates and judgment by management.

Budgetary Controls

The City of Hawthorne prepares an annual budget as part of its management and fiscal system. Activities of the General, Special Revenue, Debt Service, Capital Project and the Proprietary funds are included in the annual appropriated budget. Budgetary control is maintained at the department level and any additional appropriations in excess of ten thousand dollars require City Council approval. The city also maintains an encumbrance accounting system where the encumbrance of estimated purchase amounts is made prior to the release of purchase orders to vendors. Open encumbrances are reported as reservations of fund balance at the end of the fiscal year and are re-appropriated in the following fiscal year.

Governmental Functions

The following schedule presents a summary of revenues for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds for the fiscal year ended June 30, 2004, and the increases and decreases in relation to prior year revenues:

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2003</u>
Taxes	\$35,319,989	37.6%	\$6,504,657
Licenses and Permits	1,401,039	1.5%	(321,754)
Fines and Forfeitures	1,342,229	1.4%	(707,287)
Use of Money and Property	430,857	0.5%	(381,698)
Intergovernmental	52,902,814	56.3%	(8,810,716)
Charges for Services	1,865,978	2.0%	(1,047,406)
Other Revenue	768,939	0.8%	128,951
Total Revenues	\$94,031,845	100.0%	(\$4,635,253)

As the summary above indicates, during fiscal year 2003/04 there was a decrease in the revenues of \$4,635,253 (or 4.7%) from that of the prior fiscal year.

Major components of this decrease were attributable to revenues derived from the ***Intergovernmental sources, Charges for Services and Fines & Forfeitures***. However, the decreases in these revenues sources were partially offset by increases in revenues derived from ***Taxes***.

- ***Intergovernmental revenues*** decreased by \$8,810,716 (14%) from that of the prior fiscal year. During the year amounts of grant funds available, under the Workforce Investment Act, for the operations of the City's Job Training & Development Program

reduced by over \$11.5 million. This reduction was partially offset by increased Federal funding for the City's Section 8 Housing Program (\$1.1 million) and a combination of Federal and State funding acquired (\$3 million) for a major public works project that commenced during the fiscal year (Rosecrans/Aviation Boulevard widening).

- Revenues derived from **Charges for Services** decreased by \$1,047,406 (36%) from that of the prior fiscal year. During the prior year the City's solid waste enterprise activity's contribution to the General Fund was classified as Charges for Services. During the current year the solid waste collection function was franchised out to a number of franchisees. The franchise fees paid by the franchisees are classified as Taxes. The reduction in Charges for Services is due to reclassification of this revenue source
- **Fines & Forfeiture** revenues decreased by \$707,287 (35%) from that of the prior fiscal year. During the year it was discovered that no payments were made (for 2-years) to the local courthouses for processing traffic and vehicle code violation. A one-time payment made during the current year caused the reduction in this revenue source.
- Revenues derived by the City from **Taxes** increased by \$6,504,657 (22%) from that of the prior fiscal year. During the current year the City has experienced significantly higher Sales & Use Taxes, Incremental Property Taxes, Utility Users Taxes, Business License Taxes and Franchise Fees. The increased revenues from these sources account for the overall increase in tax revenues.

The following schedule presents a summary of expenditures for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project funds for the fiscal year ended June 30, 2004, and the increases and decreases in relation to prior year expenditures:

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2003</u>
General Government	\$4,552,771	3.9%	\$1,164,079
Public Safety	32,552,968	27.6%	(754,933)
Public Works	6,682,375	5.7%	508,160
Community Development	38,088,294	32.3%	(7,445,278)
Parks and Recreation	2,768,006	2.3%	(272,728)
Capital Outlay	22,548,189	19.1%	9,500,556
Debt Service	10,744,585	9.1%	2,146,651
Total Expenditures	\$117,937,188	100.0%	\$4,846,507

As the summary above indicates, during fiscal year 2003/04 there was an increase in expenditures of \$4,846,507 (or 4%) from that of the prior fiscal year.

Majority of this increase in expenditures were under the categories of **Capital Outlay**, **Debt Service** and **General Government**. However, those increases were partially offset by decreased expenditures for **Community Development**.

- ◆ Majority of the increase in **Capital Outlay** was attributable to the continued construction of the new City of Hawthorne Police Facility. During the year expenditures were \$4.5 million higher than for the prior year for this project. The balance of the increase was due to the commencement of a major public works project (Rosecrans/Aviation Boulevard widening). This project accounted for almost \$3 million in infrastructure capital outlay during the year.
- ◆ Expenditures incurred for **Debt Service** increased by \$2,146,651 (or 25%) from that of the prior fiscal year. Interest charges on the City

advance to the Redevelopment Agency, principal and interest payments on bonded debt account for the increased amounts.

- ◆ Additional administrative expenditures incurred by the Redevelopment Agency, as well as reclassification of certain expenditure categories account for the \$1,164,079 increase in **General Government** expenditures from that of the prior fiscal year.
- ◆ Expenditures incurred for **Community Development** decreased by \$7,445,278 (or 16%) from that of the prior fiscal year. Decrease in available funding for the City's Job Training & Development Program (as noted earlier) accounted for \$10.5 million of the decrease. This decrease was partially offset by increased spending by the Section 8 Housing Program (\$2.3 million) and the Community Development Block Grant funded programs (\$1 million).

Capital Assets

Capital Assets of the City are those used in the performance of general governmental functions. At June 30, 2004, the capital assets of the City totaled \$64,715,021 net of depreciation charges.

Proprietary Fund Operations

The City's enterprise operations are comprised of Sewer and Storm Drain Maintenance and Airport activities. The City also maintains internal service funds to account for Equipment Replacement and Insurance activities.

Fiduciary Fund Operations

The City maintains Agency Funds to account for assets held for other individuals or organizations, including non-profit recreation groups and City employees' 457 deferred compensation funds.

Debt Administration

Debt Service Funds are utilized to account for the accumulation of resources for the payment of interest and principal on bonds issued by the City. At year-end the City had Certificates of Participation outstanding in the amount of \$8,675,000. The Hawthorne Redevelopment Agency or other component units of the City issued all remaining bonded indebtedness. All bonded indebtedness is administered by trustees as prescribed in the official statements and resolutions of the various debt issues. All debt service payments are budgeted annually.

Cash Management

Cash temporarily idle during the year was invested in accordance with the City's investment policy. The City invests primarily in demand deposits and the Local Agency Investment Fund. This is a pooled fund controlled by the State Treasurer. The goals of the City's investment policy are safety, liquidity and yield, in that order.

Risk Management

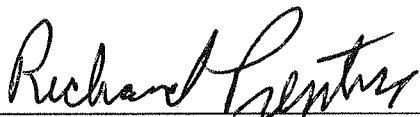
The City is a member of the Independent Cities Risk Management Authority (ICRMA), a joint powers authority of 28 medium-sized California municipalities for the purpose of pooling the City of Hawthorne's risk for general liability losses with those of other member cities. The City's self-insured retention is \$250,000 per occurrence for liability and \$500,000 per occurrence for worker's compensation. Under the ICRMA, insurance in excess of the self-insured amount is provided up to a limit of \$20,000,000. Premiums for excess insurance coverage are set annually based upon actual claims experience as well as other factors. Retiree employee medical coverage is obtained through the Public Employees Retirement System.

OTHER INFORMATION

The accounting firm of Lance, Soll & Lunghard was selected by the City to conduct the annual audit. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of the City's comprehensive annual financial report. The auditor's reports relating specifically to the single audit are included in a separate single audit report.

ACKNOWLEDGMENTS

Preparation of this report could not have been accomplished without the efficient and dedicated services of the finance department staff. I would like to express appreciation to all members of the finance department and to Lance, Soll & Lunghard, and our independent auditor, who assisted and contributed to its preparation. I would also like to thank the Mayor and members of the City Council for their leadership and support, without which the preparation of this report would not have been possible.



Richard Prentice
City Manager



Brandon W. Burrows
Donald L. Parker
Michael K. Chu
David E. Hale
A Professional Corporation
Donald G. Slater
Richard K. Kikuchi

Certified Public Accountants

Retired
Robert C. Lance
1914-1994
Richard C. Soll
Fred J. Lunghard, Jr.
1928-1999

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
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, 2004, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hawthorne, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective 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 October 21, 2004 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. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual fund statements, schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lance, Soll & Lunghard, LLP

October 21, 2004

CITY OF HAWTHORNE MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hawthorne, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Hawthorne for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total assets (all funds) exceeded its liabilities at the end of the fiscal year 2003/04 by \$38.1 million (net assets). This is an increase of \$24.4 million from that of the prior fiscal year-end.
- During the year, the citywide revenues exceeded expenses by \$14.9 million. This was an increase of \$13.8 million from that of during the prior fiscal year.
- At the end of the fiscal year the unrestricted funds available (all funds) are \$14.6 million. Of this amount \$11.4 million is attributable to the City's General fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 11, 12 and 13) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these fund statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds and other funds. The Fiduciary (Agency) fund statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities:

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that answers this question. These statements include all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and *changes*. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are an indication of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the economy due to external factors that will cause a decrease in consumer spending.

In the statement of Net Assets and the Statement of Activities, we separate the City Activities as follows:

Governmental activities - Most of the City's basic services are reported in this category, including the general administration (city manager, city clerk, finance, etc.), police and fire protection, public works, community development and interest on long-term debt. Property taxes, sales tax, transient occupancy tax, user fees, interest income, franchise fees, state and federal grants, contributions from other agencies, and other revenues generally finance these activities.

Business-type activities - The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's airport, solid waste collections and sewer & storm drain activities are reported in this category.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements:

The fund financial statements provide detailed information about the most significant funds and other funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other resources. The City's two types of funds are governmental and proprietary.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information such as a statement of cash flows.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities:

The City is the trustee, or *fiduciary*, for certain funds held on behalf of those entities outside of the government. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

As indicated on Table 1, the City's combined net assets were \$38.1 million. Of this amount \$2.7 million represents net assets of the City's business-type activities.

The combined net assets of the City increased by \$24.4 million (from \$13.6 million to \$38.1 million) from that of the prior fiscal year. Of this increase, \$24.3 million was attributable to the City's governmental activities and the balance (\$0.1 million) was attributable to the business-type activities.

Table 1

Net Assets - Year Ended June 30, 2004			
	Governmental Activities \$ Million	Business-Type Activities \$ Million	Total \$ Million
Assets:			
Current and Other Assets	66.1	0.1	66.2
Capital Assets	<u>63.6</u>	<u>3.1</u>	<u>66.7</u>
Total Assets	<u>129.7</u>	<u>3.2</u>	<u>132.9</u>
Liabilities:			
Long-Term Debt	58.5	0.1	58.6
Other Liabilities	<u>35.8</u>	<u>0.4</u>	<u>36.2</u>
Total Liabilities	<u>94.3</u>	<u>0.5</u>	<u>94.8</u>
Net Assets:			
Invested in Capital Assets, net of related debt	10.0	3.2	13.2
Restricted Funds	10.3	0.0	10.3
Unrestricted Funds	<u>15.1</u>	<u>(0.5)</u>	<u>14.6</u>
Total Net Assets	<u>35.4</u>	<u>2.7</u>	<u>38.1</u>

Table 2 on the following page, details the major revenue and expense categories that comprised the change in net assets from that of the prior fiscal year.

The table details the change in net assets from the City's governmental and business-type activities.

The revenues derived from governmental activities were \$116 million and \$1.6 million from the business-type activities. The total expenses incurred for all the governmental activities were \$100.3 million and \$2.4 million for the business-type activities.

The restatements noted in the table were due to the application new accounting standards and correction of prior year amounts.

Table 2

Changes in Net Assets - Year Ended June 30, 2004

	Governmental Activities \$ Million	Business-Type Activities \$ Million	Total \$ Million
<u>Revenues</u>			
<i>Program Revenues:</i>			
Charges for Services	4.6	1.1	5.7
Operating Grants and Contributions	67.7		67.7
Capital Grants and Contributions	(0.4)		(0.4)
<i>General Revenues:</i>			
Property Taxes	10.4		10.4
Sales Taxes	9.6		9.6
Transient Occupancy Taxes	1.1		1.1
Franchise Taxes	2.4	0.4	2.8
Business License Taxes	4.5		4.5
Other Taxes	6.4		6.4
Motor Vehicle In-Lieu Fees	4.0		4.0
Use of Money and Property	4.6		4.6
Other Revenues	1.1	0.1	1.2
Total Revenues	116.0	1.6	117.6
<u>Expenses</u>			
General Government	12.5		12.5
Public Safety	29.0		29.0
Community Development	41.8		41.8
Parks and Recreation	3.0		3.0
Public Works	7.9		7.9
Interest on Long-Term Debt	6.1		6.1
Airport		1.1	1.1
Solid Waste		0.6	0.6
Sewer and Storm Drain		0.7	0.7
Total Expenses	100.3	2.4	102.7
Excess (Deficiency) of Revenues Over (Under) Expenses Before Operating Transfers	15.7	(0.8)	14.9
Operating Transfers	(0.9)	0.9	0.0
Restatement of Balances	9.5		9.5
Increase in Net Assets	24.3	0.1	24.4

Governmental Activities

The following table presents the cost of each of the City's six largest programs - general government, public safety, community development, parks & recreation, public works and interest on long-term debt - as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

	Net Cost of City's Governmental Services - Year Ended June 30, 2004	
	Total Cost of Services \$ Million	Net Cost of Services \$ Million
General Government	12.5	0.9
Public Safety	29.0	23.7
Community Development	41.8	(3.0)
Parks and Recreation	3.1	2.0
Public Works	7.9	(1.1)
Interest on Long-Term Debt	6.1	6.0
Total	100.4	28.5

THE CITY'S FUNDS

On page 14, the governmental funds balance sheet is shown. The fund balances are shown for the General, Special Revenue, Capital Project and Debt Service funds.

The combined deficit fund balance at the end of the fiscal year is \$17 million; this is a decrease of \$28.9 million from that of the prior year combined fund balances of \$11.9 million.

The General fund balance is \$30.6 million at the year-end. This is a decrease of \$6.5 million from the prior year. The City's General fund balance has reserved \$19.1 million for advances and encumbrances.

General Fund Budgetary Highlights

During the year, with the recommendation from the City's staff, the City Council revised the City budget several times. Adjustments were made on a quarterly basis as the City's staff requested additional appropriations to cover the cost of projects that either had change orders for additional work, or the estimated cost at the beginning of the project was underestimated. Adjustments were also made as department heads requested increases or decreases to their budgets to maintain their current level of services. All amendments that either increase or decrease appropriations are approved by the City Council.

For the City's general fund, actual ending revenues of \$36.9 million were \$1.6 million less than the final budgeted revenues of \$38.5 million. The majority of the shortfall variance was in intergovernmental revenues, which was budgeted to be \$7.6 million; however, the actual was \$5.7 million. This shortfall variance was primarily offset by a positive variance in revenues derived from charges for services. The City budgeted \$0.8 million, however, the actual was \$1.3 million.

The general fund actual ending expenditures of \$40.6 million were \$0.8 million less than the final budget of \$41.4 million. The changes in the original budget compared to the final budget for the year were minimal. The original expenditure budget was \$41.2 million compared to the final budget of \$41.4 million, a \$0.2 million increase.

Even though the City's general fund ending expenditures exceeded revenues by \$3.7 million for the fiscal year, the fund still has an unrestricted fund balance of \$11.4 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, the City had \$67.9 million invested in a broad range of capital assets (Table 3). This amount represents a net increase (including additions and deductions) of \$26 million.

Table 3

	Capital Assets - Net of Depreciation As of June 30, 2004		
	Governmental Activities \$ Million	Business-Type Activities \$ Million	Total \$ Million
Land	7.4		7.4
Investment in Joint Venture	1.0		1.0
Construction in Progress	29.8		29.8
Structures and Improvements	12.2	0.6	12.8
Machinery and Equipment	4.6		4.6
Infrastructure	9.7	2.6	12.3
Total	64.7	3.2	67.9

Major capital asset events during the fiscal year included the following;

- Continuation of the construction-in-progress of the new Hawthorne Police Facility at a capitalized cost of \$14.8 million.
- Street construction and improvements, improvements to various parks in the city and the replacement of an underground fuel tank totaling over \$6.6 million.
- Purchase of various equipments and furniture (especially for the new police facility) totaling over \$1.3 million.

Further details about the City's capital assets are presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the combined City's long-term debt totaled \$61 million. This total includes bonds, leases, and loans and compensated absences. Over the course of the fiscal year the debt has increased by \$17.3 million.

The major components of the increase were the following;

- Increase in the amount of the previously existing loan from the California Infrastructure and Economic Development Bank for the construction of the new police facility. During year the loan amount increased by \$10.3 million.
- Section 108 loans obtained from the U.S. Department of Housing & Urban Development for \$7.7 million for various community development projects.

Table 4 below details the outstanding debt of the City at the end of the fiscal year.

Table 4

Outstanding Long-Term Debt As of June 30, 2004			
	Governmental Activities \$ Million	Business-Type Activities \$ Million	Total \$ Million
Bonds			
Certificates of Participation	8.6		8.6
Tax Allocation	17.6		17.6
Capitalized Leases	0.9		0.9
Loans and Notes Payable	26.3		26.3
Compensated Absences	7.5	0.1	7.6
Total	60.9	0.1	61.0

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for fiscal year 2004-05, management looked at the following economic factors:

- The possible impact to the City of Hawthorne's revenues due to the State of California's budget deficit and the revenue shifts proposed by the Governor.
- The recovering general economy after the downturn due to the terrorist activities of 9-11.
- The effects on the City's local economy due to the booming development activities in the city boundaries.

In June 2004 the City Council of the City of Hawthorne approved and adopted the operating budget for fiscal year 2004/05. During the public hearings on the budget the city council members made clear assertions of not curtailing or eliminating services and programs available to the residents. In an attempt to control the ongoing General fund structural budget deficit the council members also continued the existing staff hiring-freeze.

The citywide budget appropriates \$143 million for the fiscal year. Estimated citywide revenues are \$135 million. The \$8 million shortfall will be funded from accumulated reserves.

The General fund appropriations (included in above total) are \$49.4 million. These appropriations include amounts for general government, public safety, public works, parks & recreation, debt service and capital projects.

The General fund revenues are estimated at \$43.5 million. Projected General fund revenues include increased (from prior year) property taxes, sales & use taxes, utility users taxes, business license fees and revenues from fines & forfeitures.

The General fund shortfall for the year (\$5.9 million) will be funded from accumulated reserves. The prior year actual shortfall in the General fund was \$3.8 million, which also was funded from accumulated reserves.

Other major funds included in the citywide \$143 million budget include:

- \$24 million for the operations of the Job Training & Development Department. All the funding for these appropriations are from a combination of Federal, State and local grants.
- \$14 million for various community development programs to be funded by Community Development Block Grant and HOME funds.
- \$12 million for the operation of the Section 8 Housing program to be funded by U.S. Department of Housing & Urban Development.

The operating budget for fiscal year 2004-05 is a budget that reflects the City's commitment to foster steady, controlled growth and provide the highest level of service to the community within the City's financial constraint and is consistent with the City Council's goals and objectives. Questions or requests for information regarding the City of Hawthorne's 2004-05 budget should be sent to the Finance Department at the address below.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Hawthorne's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department, at the City of Hawthorne, 4455 West 126th. Street, Hawthorne, CA 90250.

CITY OF HAWTHORNE

Exhibit A

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 24,658,861	\$ 207,325	\$ 24,866,186
Receivables:			
Accounts	5,162,985	171,415	5,334,400
Taxes	670,730	-	670,730
Contract and notes	3,609,198	-	3,609,198
Accrued interest	62,789	-	62,789
Internal balances	365,881	(365,881)	-
Prepaid costs	1,575,759	-	1,575,759
Inventories	82,405	-	82,405
Deposits	125,000	-	125,000
Due from other governments	24,840,693	-	24,840,693
Land held for resale	1,365,000	-	1,365,000
Investment in joint venture	1,035,523	-	1,035,523
Restricted assets:			
Cash with fiscal agent	2,482,556	-	2,482,556
Capital assets not being depreciated	38,237,227	37,314	38,274,541
Capital assets, net of depreciation	25,442,271	3,183,260	28,625,531
Total Assets	\$ 129,716,878	\$ 3,233,433	\$ 132,950,311
Liabilities:			
Accounts payable	\$ 9,284,728	\$ 348,836	\$ 9,633,564
Accrued liabilities	1,325,243	24,076	1,349,319
Accrued interest	895,746	-	895,746
Unearned revenue	16,598,746	-	16,598,746
Deposits payable	5,300	42,508	47,808
Due to other governments	2,898,635	83	2,898,718
Accrued claims and judgments	2,585,651	-	2,585,651
Noncurrent liabilities:			
Due within one year	3,000,270	19,341	3,019,611
Due in more than one year	58,095,590	109,598	58,205,188
Total Liabilities	94,689,909	544,442	95,234,351
Net Assets:			
Invested in capital assets,			
Invested in capital assets, net of related debt	10,047,295	3,220,574	13,267,869
Restricted for:			
Community development projects	1,690,258	-	1,690,258
Public safety	(426,982)	-	(426,982)
Capital projects	3,059,409	-	3,059,409
Debt service	4,694,569	-	4,694,569
Unrestricted	15,962,420	(531,583)	15,430,837
Total Net Assets	\$ 35,026,969	\$ 2,688,991	\$ 37,715,960

See Notes to Financial Statements

CITY OF HAWTHORNE

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	
Functions/Programs:				
Governmental Activities:				
General government	\$ 12,470,483	\$ 256,089	\$ 11,366,563	\$ -
Public safety	29,041,078	1,648,706	2,852,788	32,612
Community development	41,804,393	192,844	44,661,092	-
Parks and recreation	3,132,821	443,934	635,776	-
Public works	7,868,149	2,024,225	8,234,891	(471,502)
Interest on long-term debt	6,441,753	-	-	-
Total Governmental Activities	100,758,677	4,565,798	67,751,110	(438,890)
Business-Type Activities:				
Airport	1,041,752	694,965	-	-
Refuse	642,513	107,656	-	-
Sewer and storm drain	690,801	260,140	-	-
Total Business-Type Activities	2,375,066	1,062,761	-	-
Total Primary Government	\$ 103,133,743	\$ 5,628,559	\$ 67,751,110	\$ (438,890)

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Other taxes

Motor vehicle

Use of money and property

Gain on sale of assets

Other

Transfers

Total General Revenues

Changes 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

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (847,831)	\$ -	\$ (847,831)
(24,506,972)	-	(24,506,972)
3,049,543	-	3,049,543
(2,053,111)	-	(2,053,111)
1,919,465	-	1,919,465
(6,441,753)	-	(6,441,753)
(28,880,659)	-	(28,880,659)
-	(346,787)	(346,787)
-	(534,857)	(534,857)
-	(430,661)	(430,661)
-	(1,312,305)	(1,312,305)
(28,880,659)	(1,312,305)	(30,192,964)
10,497,308	-	10,497,308
1,096,683	-	1,096,683
9,612,683	-	9,612,683
2,469,613	399,773	2,869,386
4,462,278	-	4,462,278
6,369,690	-	6,369,690
3,996,278	-	3,996,278
4,654,130	-	4,654,130
25,432	-	25,432
1,056,938	101,033	1,157,971
(957,662)	957,662	-
43,283,371	1,458,468	44,741,839
14,402,712	146,163	14,548,875
11,111,621	2,542,828	13,654,449
9,512,636	-	9,512,636
\$ 35,026,969	\$ 2,688,991	\$ 37,715,960

CITY OF HAWTHORNE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Housing Authority</u>	<u>South Bay Workforce Invest. Board</u>
Assets:			
Pooled cash and investments	\$ 3,400,217	\$ -	\$ -
Receivables:			
Accounts	4,053,208	-	-
Taxes	131,339	-	-
Contract and notes	-	-	-
Accrued interest	34,977	2,249	-
Prepaid costs	-	922,236	-
Due from other governments	-	-	18,346,931
Due from other funds	7,469,582	-	-
Advances to other funds	47,252,991	-	-
Inventories	68,094	-	-
Land held for resale	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 62,410,408	\$ 924,485	\$ 18,346,931
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 932,038	\$ 76,041	\$ 1,880,961
Accrued liabilities	886,692	44,836	280,185
Due to other funds	1,749,837	403,657	281,282
Deferred revenues	28,208,131	-	15,131,405
Advances from other funds	-	-	-
Unearned revenues	-	-	15,813,092
Deposits payable	-	-	-
Due to other governments	10,260	289,240	144,608
Total Liabilities	31,786,958	813,774	33,531,533
Fund Balances:			
Reserved:			
Reserved for encumbrances	43,645	-	4,237
Reserved for inventory	68,095	-	-
Reserved for prepaid costs	-	922,236	-
Reserved for land held for resale	-	-	-
Reserved for advances to other funds	19,044,857	-	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Designated for low and moderate housing	-	-	-
Undesignated	11,466,853	(811,525)	(15,188,839)
Total Fund Balances	30,623,450	110,711	(15,184,602)
Total Liabilities and Fund Balances	\$ 62,410,408	\$ 924,485	\$ 18,346,931

See Notes to Financial Statements

Exhibit C

Capital Projects Funds			
Police Facility	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,470,899	\$ 15,009,089	\$ 20,880,205
920,898	-	182,549	5,156,655
-	49,721	489,670	670,730
-	-	3,299,198	3,299,198
-	7,444	18,119	62,789
-	-	653,523	1,575,759
-	-	6,493,762	24,840,693
-	-	1,749,837	9,219,419
-	-	-	47,252,991
-	-	-	68,094
-	1,365,000	-	1,365,000
-	-	2,482,556	2,482,556
\$ 920,898	\$ 3,893,064	\$ 30,378,303	\$ 116,874,089
\$ 2,315,629	\$ 279,463	\$ 3,548,016	\$ 9,032,148
7,130	2,612	75,491	1,296,946
3,770,375	-	3,014,268	9,219,419
-	-	4,274,418	47,613,954
-	47,252,991	-	47,252,991
-	-	785,654	16,598,746
-	-	5,300	5,300
-	126,410	2,328,117	2,898,635
6,093,134	47,661,476	14,031,264	133,918,139
19,415	-	158,331	225,628
-	-	-	68,095
-	-	653,523	1,575,759
-	1,365,000	-	1,365,000
-	-	-	19,044,857
-	-	9,810,344	9,810,344
-	-	134,526	134,526
-	-	5,590,315	5,590,315
-	2,288,191	-	2,288,191
(5,191,651)	(47,421,603)	-	(57,146,765)
(5,172,236)	(43,768,412)	16,347,039	(17,044,050)
\$ 920,898	\$ 3,893,064	\$ 30,378,303	\$ 116,874,089

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004**

Fund balances of governmental funds \$ (17,044,050)

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. 63,149,533

Long-term debt and compensated absences have not been included in the governmental fund activity:

Notes payable	(625,617)
Lease payable	(471,621)
Lease payable - police facility	(18,000,000)
Loan payable - Section 108	(7,750,000)
Certificates of participation payable	(8,675,000)
Tax allocation bond payable	(17,580,000)
Compensated absences	(7,412,930)

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. (895,746)

Grant revenue not received within 90 days and recorded as deferred revenue in the governmental funds. These revenues are included as intergovernmental revenue in the governmental fund activity. 47,613,954

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. 2,718,446

Net assets of governmental activities

\$ 35,026,969

CITY OF HAWTHORNE

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Special Revenue Funds	
		Housing Authority	South Bay Workforce Invest. Board
Revenues:			
Taxes	\$ 26,979,580	\$ -	\$ -
Licenses and permits	1,208,195	-	-
Intergovernmental	5,691,816	11,141,665	18,048,995
Charges for services	1,363,455	-	-
Use of money and property	224,893	14,646	-
Fines and forfeitures	1,007,332	-	-
Miscellaneous	356,308	41	-
Total Revenues	36,831,579	11,156,352	18,048,995
Expenditures:			
Current:			
General government	8,874,577	-	-
Public safety	18,866,511	-	-
Community development	1,150,248	12,362,657	18,757,188
Parks and recreation	2,768,006	-	-
Public works	1,445,752	-	-
Capital outlay	1,676,532	-	55,958
Debt service:			
Principal retirement	112,957	-	-
Interest and fiscal charges	28,843	-	-
Pass-through agreement payments	-	-	-
Contribution to agency funds	-	-	-
Total Expenditures	34,923,426	12,362,657	18,813,146
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,908,153	(1,206,305)	(764,151)
Other Financing Sources (Uses):			
Transfers in	15,000	-	-
Transfers out	(5,751,626)	-	-
Notes and loans issued	-	-	-
Other	25,432	-	-
Total Other Financing Sources (Uses)	(5,711,194)	-	-
Net Change in Fund Balances	(3,803,041)	(1,206,305)	(764,151)
Fund Balances, Beginning of Year, as Originally Reported	34,426,491	1,317,016	51,591
Restatements	-	-	(14,472,042)
Fund Balances, Beginning of Year, as Restated	34,426,491	1,317,016	(14,420,451)
Fund Balances, End of Year	\$ 30,623,450	\$ 110,711	\$ (15,184,602)

See Notes to Financial Statements

Exhibit E

Capital Projects Funds			
Police Facility	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,166,305	\$ 7,174,104	\$ 35,319,989
-	-	192,844	1,401,039
-	-	18,020,338	52,902,814
-	-	502,523	1,865,978
-	76,314	115,004	430,857
-	-	334,897	1,342,229
-	117	412,473	768,939
-	1,242,736	26,752,183	94,031,845
-	1,403,202	140,111	10,417,890
391,687	-	7,429,651	26,687,849
-	1,025,716	4,792,485	38,088,294
-	-	-	2,768,006
-	-	5,236,623	6,682,375
15,754,918	-	5,060,781	22,548,189
-	156,991	750,000	1,019,948
190,334	4,279,874	1,518,273	6,017,324
-	274,757	2,243,196	2,517,953
-	1,189,360	-	1,189,360
16,336,939	8,329,900	27,171,120	117,937,188
(16,336,939)	(7,087,164)	(418,937)	(23,905,343)
3,575,000	1,463,810	2,923,111	7,976,921
-	(483,920)	(2,709,656)	(8,945,202)
10,240,222	-	7,300,000	17,540,222
-	-	-	25,432
13,815,222	979,890	7,513,455	16,597,373
(2,521,717)	(6,107,274)	7,094,518	(7,307,970)
(2,650,519)	(37,661,138)	8,752,521	4,235,962
-	-	500,000	(13,972,042)
(2,650,519)	(37,661,138)	9,252,521	(9,736,080)
\$ (5,172,236)	\$ (43,768,412)	\$ 16,347,039	\$ (17,044,050)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Net change in fund balances - total governmental funds	\$ (7,307,970)
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.	20,318,960
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,019,948
Accrued interest for long-term debt. This is the net change in accrued interest for the current period.	(424,429)
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.	(1,006,800)
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.	(17,540,222)
The revenues not received within 90 days are not recognized and deferred in the governmental funds. They are fully accrued in the governmental activities.	17,838,321
The accrued interest on interfund loans between the City and Redevelopment Agency were recorded as deferred revenue in the governmental funds. They are included as interest revenue in the governmental fund activity.	4,223,453
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.	<u>(2,718,549)</u>
Change in net assets of governmental activities	<u><u>\$ 14,402,712</u></u>

CITY OF HAWTHORNE

Exhibit G

BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 34,426,491	\$ 34,426,491	\$ 34,426,491	\$ -
Resources (Inflows):				
Taxes	26,665,659	26,765,659	26,979,580	213,921
Licenses and permits	982,000	982,000	1,208,195	226,195
Intergovernmental	8,668,959	7,639,959	5,691,816	(1,948,143)
Charges for services	852,750	852,750	1,363,455	510,705
Use of money and property	420,000	420,000	224,893	(195,107)
Fines and forfeitures	2,030,000	1,380,000	1,007,332	(372,668)
Other	441,000	441,000	356,308	(84,692)
Other financing sources	5,000	5,000	25,432	20,432
Transfers from other funds	15,000	15,000	15,000	-
Amounts Available for Appropriation	74,506,859	72,927,859	71,298,502	(1,629,357)
Charges to Appropriation (Outflow):				
Mayor and city council	8,324,734	8,304,734	6,729,185	1,575,549
City clerk	161,790	156,360	154,906	1,454
City manager	485,132	485,132	484,156	976
City treasurer	(162,458)	(162,458)	(155,704)	(6,754)
City attorney	445,246	450,676	471,911	(21,235)
Finance	371,977	368,977	409,291	(40,314)
Personnel	220,235	240,235	187,982	52,253
Licensing and code enforcement	585,401	585,401	592,850	(7,449)
Police	18,223,808	18,373,198	18,866,511	(493,313)
Public works	1,504,693	1,504,143	1,445,752	58,391
Planning	452,500	452,500	466,109	(13,609)
Building and safety	678,009	677,693	684,139	(6,446)
Parks and recreation	3,499,852	3,479,252	2,768,006	711,246
Capital outlay	1,758,995	1,783,460	1,676,532	106,928
Transfers to other funds	4,599,974	4,643,784	5,751,626	(1,107,842)
Debt service:				
Interest	28,843	28,843	28,843	-
Principal payment	112,957	112,957	112,957	-
Total Charges to Appropriations	41,291,688	41,484,887	40,675,052	809,835
Budgetary Fund Balance, June 30	\$ 33,215,171	\$ 31,442,972	\$ 30,623,450	\$ (819,522)

See Notes to Financial Statements

CITY OF HAWTHORNE

Exhibit H

**BUDGETARY COMPARISON STATEMENT
HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,317,016	\$ 1,317,016	\$ 1,317,016	\$ -
Resources (Inflows):				
Intergovernmental	13,337,201	11,321,042	11,141,665	(179,377)
Use of money and property	20,000	20,000	14,646	(5,354)
Other	-	-	41	41
Amounts Available for Appropriation	14,674,217	12,658,058	12,473,368	(184,690)
Charges to Appropriation (Outflow):				
Community development	11,794,843	12,218,593	12,362,657	(144,064)
Total Charges to Appropriations	11,794,843	12,218,593	12,362,657	(144,064)
Budgetary Fund Balance, June 30	\$ 2,879,374	\$ 439,465	\$ 110,711	\$ (328,754)

See Notes to Financial Statements

**BUDGETARY COMPARISON STATEMENT
SOUTH BAY WORKFORCE INVESTMENT BOARD
YEAR ENDED JUNE 30, 2004**

	<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	\$(14,420,451)	\$(14,420,451)	\$(14,420,451)	\$ -
Resources (Inflows):				
Intergovernmental	<u>32,987,461</u>	<u>37,827,785</u>	<u>18,048,995</u>	<u>(19,778,790)</u>
Amounts Available for Appropriation	<u>18,567,010</u>	<u>23,407,334</u>	<u>3,628,544</u>	<u>(19,778,790)</u>
Charges to Appropriation (Outflow):				
Community development	32,886,071	37,716,394	18,757,188	18,959,206
Capital outlay	<u>126,184</u>	<u>136,184</u>	<u>55,958</u>	<u>80,226</u>
Total Charges to Appropriations	<u>33,012,255</u>	<u>37,852,578</u>	<u>18,813,146</u>	<u>19,039,432</u>
Budgetary Fund Balance, June 30	<u>\$(14,445,245)</u>	<u>\$(14,445,244)</u>	<u>\$(15,184,602)</u>	<u>\$ (739,358)</u>

CITY OF HAWTHORNE

Exhibit J

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2014

	<u>Nonmajor Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
Assets:		
Current:		
Cash and investments	\$ 207,325	\$ 3,778,656
Receivables:		
Accounts	171,415	6,330
Notes and loans	-	310,000
Inventories	-	14,311
Deposits	-	125,000
Total Current Assets	<u>378,740</u>	<u>4,234,297</u>
Noncurrent:		
Fixed assets - net of accumulated depreciation	3,220,574	1,565,489
Total Noncurrent Assets	<u>3,220,574</u>	<u>1,565,489</u>
Total Assets	<u>\$ 3,599,314</u>	<u>\$ 5,799,786</u>
Liabilities and Net Assets		
Liabilities:		
Current:		
Accounts payable	\$ 348,836	\$ 252,580
Accrued payroll payable	24,076	28,297
Deposits payable	42,508	-
Due to other governments	83	-
Total Current Liabilities	<u>415,503</u>	<u>280,877</u>
Noncurrent:		
Claims and judgments	-	2,585,651
Compensated absences	128,939	171,874
Bonds, leases, notes and loans payable	-	408,819
Total Noncurrent Liabilities	<u>128,939</u>	<u>3,166,344</u>
Total Liabilities	<u>544,442</u>	<u>3,447,221</u>
Net Assets:		
Invested in capital assets, net of related debt	3,220,574	1,156,670
Unrestricted	(165,702)	1,195,895
Total Net Assets	<u>3,054,872</u>	<u>2,352,565</u>
Total Liabilities and Net Assets	<u>\$ 3,599,314</u>	<u>\$ 5,799,786</u>
Net assets per Statement of Net Assets - Proprietary Funds	\$ 3,054,872	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	69,149	
Adjustments to reflect the consolidation of internal service activities related to enterprise funds	(435,030)	
Net Assets per Statement of Net Assets	<u>\$ 2,688,991</u>	

See Notes to Financial Statements

CITY OF HAWTHORNE

Exhibit K

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004**

	Nonmajor Enterprise Funds	Governmental Activities- Internal Service Funds
Operating Revenues:		
Sales and service charges	\$ 1,062,761	\$ 2,658,205
Miscellaneous	101,033	113,082
Total Operating Revenues	1,163,794	2,771,287
Operating Expenses:		
Source of supply	71,654	509,916
Refuse collection	642,513	-
Cost of sales and services	97,400	-
Contractual services	-	4,342,173
Administration and general	913,597	467,318
Depreciation	214,872	638,220
Total Operating Expenses	1,940,036	5,957,627
Operating Income (Loss)	(776,242)	(3,186,340)
Nonoperating Revenues (Expenses):		
Taxes	399,773	-
Gain (loss) on disposal of fixed assets	-	11,546
Total Nonoperating Revenues (Expenses)	399,773	11,546
Income (Loss) Before Contributions and Transfers	(376,469)	(3,174,794)
Contribution from City	-	21,215
Transfers in	968,281	-
Transfers out	(10,619)	-
Changes in Net Assets	581,193	(3,153,579)
Net Assets:		
Beginning of Fiscal Year	2,473,679	5,506,144
End of Fiscal Year	\$ 3,054,872	\$ 2,352,565
Changes in Net Assets, Enterprise Funds	\$ 581,193	
Adjustment to reflect the consolidation of the internal service activities related to enterprise funds	(435,030)	
Changes in Net Assets of Business-Type Activities	\$ 146,163	

See Notes to Financial Statements

CITY OF HAWTHORNE

Exhibit L

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004**

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 2,000,808	\$ -
Cash received from interfund service provided	-	3,376,875
Cash paid to supplies for good and services	(1,169,825)	(3,073,687)
Cash paid to employees for services	(877,866)	(453,599)
Cash received from (paid to) others	101,033	113,082
	54,150	(37,329)
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Non-Capital Financing Activities:		
Cash transfer to other funds	(10,619)	-
Cash transfer from other funds	968,281	-
Due to other funds	(1,523,235)	-
Special franchise fees	399,773	-
	(165,800)	-
Net Cash Provided (Used) by Non-Capital Financing Activities		
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	-	21,215
Purchases of capital assets	(339,003)	(53,335)
Principal paid on capital debt	-	(662,314)
Proceeds from sales of capital assets	-	11,546
	(339,003)	(682,888)
Net Cash Provided (Used) by Capital and Related Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(450,653)	(720,217)
Cash and Cash Equivalents at Beginning of Year	657,978	4,498,873
Cash and Cash Equivalents at End of Year	\$ 207,325	\$ 3,778,656
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (776,242)	\$ (3,186,340)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	214,872	638,220
(Increase) decrease in accounts receivable	938,047	843,670
(Increase) decrease in deposits	-	(125,000)
Increase (decrease) in accounts payable	(358,193)	91,310
Increase (decrease) in accrued liabilities	(2,629)	-
Increase (decrease) in deposits payable	(65)	7,975
Increase (decrease) in compensated absences payable	38,360	5,744
Increase (decrease) in claims and judgments payable	-	1,687,092
	830,392	3,149,011
Total Adjustments	830,392	3,149,011
Net Cash Provided (Used) by Operating Activities	\$ 54,150	\$ (37,329)

See Notes to Financial Statements

CITY OF HAWTHORNE

Exhibit M

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004**Assets:**

Cash and investments	\$ 1,561,075
Restricted assets:	
Cash with fiscal agent	<u>4,149,727</u>
Total Assets	<u><u>\$ 5,710,802</u></u>

Liabilities:

Accounts payable	\$ 58,468
Accrued liabilities	621,000
Deposits	60,874
Due to bondholders	<u>4,970,460</u>
Total Liabilities	<u><u>\$ 5,710,802</u></u>

CITY OF HAWTHORNE

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

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.

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.

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

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

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.

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.

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

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

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 January 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 long-term debt is recognized when due.

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.

City of Hawthorne
Notes to Financial Statements (Continued)

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

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.

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.

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 that cash and investments in the Enterprise and Internal Service Funds are cash and cash equivalents.

City of Hawthorne
Notes to Financial Statements (Continued)

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

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.

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 \$1,000 (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.

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.

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

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

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:

Assets	Years
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

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:

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

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

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 \$20,318,960 difference are as follows:

Capital outlay	\$ 22,532,954
Depreciation expense	<u>(2,213,994)</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>\$ 20,318,960</u>

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 \$1,019,948 difference are as follows:

Principal repayments:	
Tax allocation bonds	\$ 425,000
Notes payable	156,991
COP bonds payable	275,000
Loans payable	50,000
Capital leases payable	<u>112,957</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>\$ 1,019,948</u>

Another element of that reconciliation states "the net effect of accrued interest for long-term debt". The details of this (\$77,142) difference are as follows:

Net accrued interest for the current year:	
Tax allocation bonds current year accrued interest	\$ (293,792)
COP bonds current year accrued interest	(218,254)
Tax allocation bonds prior year accrued interest	247,151
COP bonds prior year accrued interest	224,166
Loans payable - Police Facility current year accrued interest	(347,287)
Loans payable - Section 108 current year accrued interest	(33,635)
Capital leases payable current year accrued interest	<u>(2,778)</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>\$ (424,429)</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:	
South Bay Workforce Investment Board	\$(15,184,602)
Police facility	(5,172,236)
Community Redevelopment Agency	(43,768,412)
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Anti Drug Abuse Grant	(802,510)
Street	(4,143)
High Intensity Drug Trafficking	(92,440)
Rosecrans/Aviation Project	(443,292)
Home Grant	(137,991)
Internal Service Funds:	
Insurance Reserve	(226,334)

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

b. Excess of expenditures over appropriations by department or function are as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Governmental Funds:			
General Fund:			
City attorney	\$ 471,911	\$ 450,676	\$ 21,235
Finance	409,291	368,977	40,314
Licensing and code enforcement	592,850	585,401	7,449
Police	18,866,511	18,373,198	493,313
Planning	466,109	452,500	13,609
Building and safety	684,139	677,693	6,446
Housing Authority:			
Community development	12,362,657	12,218,593	144,064
Police Facility:			
Public safety	391,687	232,674	159,013
Capital outlay	15,754,918	14,860,500	894,418

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

Note 2: Stewardship, Compliance and Accountability (Continued)

Fund	Expenditures	Appropriations	Excess
Nonmajor Governmental Funds:			
Special Revenue Funds:			
Street:			
Public works	\$ 1,228,636	\$ 1,182,275	\$ 46,361
Asset Forfeiture:			
Public safety	576,037	562,709	13,328
High Intensity Drug Trafficking:			
Public safety	4,455,686	4,072,663	383,023
Capital outlay	1,262,210	23,677	1,238,533
Local Law Enforcement Block Grant:			
Public safety	212,392	166,006	46,386
Capital outlay	254,046	127,350	126,696
COPS MORE:			
Capital outlay	605,499	345,922	259,577
Debt Service Funds:			
Community Redevelopment Agency:			
General government	123,293	33,760	89,533
Community development	1,166,305	860,000	306,305
Public Financing Authority:			
General government	16,818	12,568	4,250

III. DETAIL NOTES ON FUNDS AND ACCOUNT GROUPS

Note 3: Cash and Investments

As of June 30, 2004, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 27,141,417
Business-type activities	207,325
Fiduciary funds	<u>5,710,802</u>
Total Cash and Investments	<u>\$ 33,059,544</u>

The City of Hawthorne maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

The City early implemented the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2004. This statement establishes and modifies disclosure requirements related to investment and deposit risks; accordingly, the note disclosure on cash and investments has been revised to conform to the provisions of GASB Statement No. 40.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

Deposits

At June 30, 2004, the carrying amount of the City's deposits was \$8,563,064, and the bank balance was \$10,602,486. The \$2,039,422 difference represents outstanding checks and other reconciling items.

Credit Risk

The City's investment policy limits investments in commercial paper to those rated "A-1" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2004, the City's investment in commercial paper consisted of investments with General Electric Corporation. At June 30, 2004, General Electric's commercial paper was rated "AAA" by Moody's and by S&P. All securities were investment grade and were legal under state and city law. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of June 30, 2004, the City's investments in external investment pools and money market mutual funds are unrated.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2004, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer. With respect to concentration risk, as of June 30, 2004, the City has not invested more than 15% of its total investments in any one issuer. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that investments in negotiable certificates of deposit must not exceed 270 days maturity, commercial paper may not exceed 180 days maturity and U.S Treasury issues may not exceed 5 years maturity. The only exception to these maturity limits shall be the investment of the gross proceeds of tax-exempt bonds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

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

Note 3: Cash and Investments (Continued)

As of June 30, 2004, the City had the following investments and original maturities:

	Investment Maturities (in Years)			Fair Value
	Less Than 1	1 - 5	More Than 5	
Money market mutual funds - held by fiscal agent	\$ -	\$ 1,979,467	\$ -	\$ 1,979,467
Commercial paper	-	621,000	-	621,000
California Local Agency Investment Fund	16,864,194	-	-	16,864,194
Investment agreement	-	-	4,031,819	4,031,819
Federal home loan note	-	1,000,000	-	1,000,000
	<u>\$16,864,194</u>	<u>\$ 3,600,467</u>	<u>\$ 4,031,819</u>	<u>\$24,496,480</u>

The investment agreements are monies held by the fiscal agent and are not subject to the risks noted above. 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 2003-2004, the City was assessed \$2,283,303, 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, 2003, SBRPCA's audited financial information is as follows*:

Authority retained earnings, beginning of year		\$ 1,809,257
Total revenues	\$ 4,535,967	
Total expenses	<u>(5,447,407)</u>	
Net Increase in Authority Retained Earnings		<u>(911,440)</u>
Authority Retained Earnings, End of Year		<u>\$ 897,817</u>
Cash and investments	\$ 1,033,071	
Fixed assets	9,346,014	
Other assets	<u>377,828</u>	
Total Assets		<u>\$ 10,756,913</u>
Total Liabilities	\$ 9,859,096	
Authority equity	<u>897,817</u>	
Total Liabilities and Authority Equity		<u>\$ 10,756,913</u>

* Most Recent Information Available

City of Hawthorne
Notes to Financial Statements (Continued)

Note 4: Joint Ventures (Continued)

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.

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, 2004 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	14,989,832	-	14,989,832	14,823,343	-	29,813,175
Total Capital Assets, Not Being Depreciated	23,413,884	-	23,413,884	14,823,343	-	38,237,227
Capital assets, being depreciated:						
Structures and improvements	13,690,766	-	13,690,766	100,259	-	13,791,025
Machinery and equipment	18,753,107	19,331	18,772,438	1,366,689	183,781	19,955,346
Parking authority - structures	16,359,554	-	16,359,554	-	-	16,359,554
Infrastructure	3,666,058	-	3,666,058	6,318,816	-	9,984,874
Total Capital Assets, Being Depreciated	52,469,485	19,331	52,488,816	7,785,764	183,781	60,090,799
Less accumulated depreciation:						
Structures and improvements	6,619,582	-	6,619,582	425,277	-	7,044,859
Machinery and equipment	13,754,722	8,712	13,763,434	1,812,574	150,342	15,425,666
Parking authority - structures	10,449,118	-	10,449,118	408,989	-	10,858,107
Infrastructure	78,999	-	78,999	205,374	-	284,373
Total Accumulated Depreciation	30,902,421	8,712	30,911,133	2,852,214	150,342	33,613,005
Total Capital Assets, Being Depreciated, Net	21,567,064	10,619	21,577,683	4,933,550	33,439	26,477,794
Governmental Activities Capital Assets, Net	\$ 44,980,948	\$ 10,619	\$ 44,991,567	\$ 19,756,893	\$ 33,439	\$ 64,715,021

* Adjustments were to move the Refuse related capital assets from Business-type Activities to Governmental Activities.

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

Note 5: Changes in Capital Assets (Continued)

	Beginning Balance	Adjustments*	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	15,278,927	(14,001,156)	1,277,771	349,622	14,778	1,612,615
Machinery and equipment	42,081	(19,331)	22,750	-	-	22,750
Infrastructure	-	14,001,156	14,001,156	-	-	14,001,156
Total Capital Assets, Being Depreciated	15,321,008	(19,331)	15,301,677	349,622	14,778	15,636,521
Less accumulated depreciation:						
Structures and improvements	12,238,469	(11,292,992)	945,477	70,638	14,778	1,001,337
Machinery and equipment	23,410	(8,712)	14,698	1,492	-	16,190
Infrastructure	-	11,292,992	11,292,992	142,742	-	11,435,734
Total Accumulated Depreciation	12,261,879	(8,712)	12,253,167	214,872	14,778	12,453,261
Total Capital Assets, Being Depreciated, Net	3,059,129	(10,619)	3,048,510	134,750	-	3,183,260
Business-Type Activities Capital Assets, Net	<u>\$ 3,096,443</u>	<u>\$ (10,619)</u>	<u>\$ 3,085,824</u>	<u>\$ 134,750</u>	<u>\$ -</u>	<u>\$ 3,220,574</u>

* Adjustments are to reclassify capital assets to infrastructure and move Refuse related capital assets to Governmental Activities.

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

Governmental Activities:	
General government	\$ 733,420
Public safety	804,569
Public work	251,103
Community development	280,070
Parks and recreation	144,832
Internal service funds - equipment replacement	638,220
Total Governmental Activities	<u>\$ 2,852,214</u>
Business-Type Activities:	
Airport fund	\$ 164,895
Sewer fund	49,977
Total Business-Type Activities	<u>\$ 214,872</u>

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 current rate is 6.187% for miscellaneous employees and 0% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2004, the City's annual pension cost of \$1,052,048 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
6/30/2002	\$ -	100%	\$ -
6/30/2003	\$ -	100%	\$ -
6/30/2004	\$ 1,052	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 Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2000						
Miscellaneous	\$ 68,494	\$ 50,408	\$ (18,086)	135.9 %	\$ 11,235	(160.9) %
Safety	108,244	89,787	(18,457)	120.6 %	5,505	(335.2) %
Total	<u>\$ 176,738</u>	<u>\$ 140,195</u>	<u>\$ (36,543)</u>	<u>126.1 %</u>	<u>\$ 16,740</u>	<u>(218.3) %</u>
6/30/2001						
Miscellaneous	\$ 71,740	\$ 60,963	\$ (10,777)	117.7 %	\$ 13,011	(82.8) %
Safety	109,255	96,323	(12,932)	113.4 %	6,146	(210.4) %
Total	<u>\$ 180,995</u>	<u>\$ 157,286</u>	<u>\$ (23,709)</u>	<u>115.1 %</u>	<u>\$ 19,157</u>	<u>(123.8) %</u>
6/30/2002						
Miscellaneous	\$ 72,581	\$ 68,933	\$ (3,648)	105.3 %	\$ 14,889	(24.5) %
Safety	102,806	100,321	(2,485)	102.5 %	6,960	(35.7) %
Total	<u>\$ 175,387</u>	<u>\$ 169,254</u>	<u>\$ (6,133)</u>	<u>103.6 %</u>	<u>\$ 21,849</u>	<u>(28.1) %</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, 2004:

	Outstanding July 1, 2003	Adjustments*	Additions	Deletions	Outstanding June 30, 2004	Due Within One Year
Governmental Funds:						
City:						
✓Certificates of participation	\$ 8,950,000	\$ -	\$ -	\$ 275,000	\$ 8,675,000	\$ 290,000
Compensated absences	6,406,130	-	2,987,805	1,981,008	7,412,927	1,111,939
✓Lease payable	584,578	-	-	112,957	471,621	119,058
Lease payable - police facility	7,759,778	-	10,240,222	-	18,000,000	420,405
Section 108 loan payable	-	500,000	7,300,000	50,000	7,750,000	50,000
Total City	23,700,486	500,000	20,528,027	2,418,965	42,309,548	1,991,402
Internal Service Funds:						
Compensated absences	166,130	-	13,394	7,650	171,874	25,781
Lease payable	1,071,133	-	-	662,312	408,821	408,821
Total Internal Service Funds	1,237,263	-	13,394	669,962	580,695	434,602
Redevelopment Agency:						
Tax allocation refunding bonds	18,005,000	-	-	425,000	17,580,000	450,000
Notes payable	782,607	-	-	156,990	625,617	124,266
Total Redevelopment	18,787,607	-	-	581,990	18,205,617	574,266
Total Governmental Long-Term Obligations	\$ 43,725,356	\$ 500,000	\$ 20,541,421	\$ 3,670,917	\$ 61,095,860	\$ 3,000,270
Business-Type Funds:						
Compensated absences	\$ 90,579	\$ -	74,158	\$ 35,798	\$ 128,939	\$ 19,341

* Restatement due to loan received in prior year but not booked until current year.

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, 2022.

\$ 8,675,000

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, 2004.

**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, 2004 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 290,000	\$ 430,127	\$ 720,127
2006	300,000	416,998	716,998
2007	315,000	403,002	718,002
2008	330,000	388,003	718,003
2009	345,000	371,968	716,968
2009-2014	1,990,000	1,582,552	3,572,552
2014-2019	2,550,000	1,006,747	3,556,747
2019-2022	<u>2,555,000</u>	<u>274,430</u>	<u>2,829,430</u>
Total Debt Service	<u>\$ 8,675,000</u>	<u>\$ 4,873,827</u>	<u>\$ 13,548,827</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 long-term debt. 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. This asset has been capitalized with the obligation shown in the statement of net assets.

Asset:	
Telephone system	\$ 118,415
Energy retrofit	884,643
Less: Accumulated depreciation	<u>(334,797)</u>
Total	<u>\$ 668,261</u>

The following is a schedule by years of future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments, as of June 30, 2004:

Year ending June 30:	
2005	\$ 141,799
2006	139,571
2007	128,435
2008	<u>114,398</u>
Total minimum lease payments	524,203
Less amount representing interest	<u>(52,582)</u>
Present value of net minimum lease payments	<u>\$ 471,621</u>

City of Hawthorne
Notes to Financial Statements (Continued)

Note 7: Long-Term Debt (Continued)

Lease Obligation - Police Facility

The City is currently building a new police facility, which is scheduled for completion in fiscal year 2004-2005. 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, 2004, the total construction expenditures of \$18,000,000 have been recorded as a liability under the lease obligation. Total lease obligation is expected to amount to \$20,000,000 in 2004-2005. The future debt service schedule for the police facility loan is currently not available at the date of this report.

Section 108 Loan

On August 8, 2002 the City received approval for a Section 108 Loan of \$500,000. On June 30, 2004 the City received approval for an additional Section 108 Loan of \$7,300,000. This money was advanced to the City with plans to use for commercial rehabilitation on CDBG projects. The notes are guaranteed by the Secretary of Housing and Urban Development. Principal payments ranging from \$50,000 to \$335,000 are due semi-annually on February 1 and August 1. The notes mature from 2012 to 2024 and bear varying interest rates.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 50,000	\$ 231,236	\$ 281,236
2006	265,000	378,517	643,517
2007	335,000	370,021	705,021
2008	475,000	356,113	831,113
2009	475,000	337,930	812,930
2009-2014	2,265,000	1,371,132	3,636,132
2014-2019	1,775,000	867,858	2,642,858
2019-2024	1,775,000	362,852	2,137,852
2024-2029	335,000	10,067	345,067
Total Debt Service	\$ 7,750,000	\$ 4,285,726	\$ 12,035,726

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.	\$ 4,420,000
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.	<u>4,390,000</u>
Total Community Redevelopment Agency Tax Allocation Refunding Bonds	<u>\$ 17,580,000</u>

**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, 2004.

The annual requirements to amortize the Community Redevelopment Agency long-term debt that has determinable payment dates and amounts (the Tax Allocation Refunding Bonds payable only) as of June 30, 2004, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 450,000	\$ 865,361	\$ 1,315,361
2006	535,000	970,828	1,505,828
2007	565,000	942,491	1,507,491
2008	595,000	911,478	1,506,478
2009	630,000	878,368	1,508,368
2009-2014	<u>14,805,000</u>	<u>7,350,778</u>	<u>22,155,778</u>
Total Debt Service	<u>\$ 17,580,000</u>	<u>\$ 11,919,304</u>	<u>\$ 29,499,304</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. \$ 20,000

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. 605,617

Total Community Redevelopment Agency Notes Payable \$ 625,617

Claims and Judgments

As of June 30, 2004, 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, 2004, total estimated claims payable were \$2,585,651.

Bonds Defeased in Prior Years

In prior years, the City defeased the 1994 Tax Allocation 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, 2004, \$8,629,177 of bonds outstanding are considered defeased.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 7: Long-Term Debt (Continued)

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, 2004, the bonds outstanding from these Community Facility Districts totaled \$23,050,000.

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 as Long-Term Debt.

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 Long-Term Debt. As of June 30, 2004, the Special Tax Refunding Bonds outstanding totaled \$8,545,000.

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.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 8: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2004 is as follows:

Due To/From Other Funds

Funds	Due to Other Funds		Total
	General Fund	Nonmajor Governmental Funds	
Due From Other Funds:			
General	\$ -	\$ 1,749,837	\$ 1,749,837
Housing Authority	403,657	-	403,657
South Bay Workforce	281,282	-	281,282
Police Facility	3,770,375	-	3,770,375
Nonmajor Funds	3,014,268	-	3,014,268
Total	<u>\$ 7,469,582</u>	<u>\$ 1,749,837</u>	<u>\$ 9,219,419</u>

The due from the General Fund of \$1,749,837 is due to the Proposition C fund for ineligible use of Proposition C funds which will be reimbursed.

The due to the General Fund of \$7,469,582 from various nonmajor funds was a result of temporary deficit cash balances in those funds.

Advances to/from Other Funds

Funds	Advances to Other Funds
	General Fund
Advances from Other Funds:	
CRA Capital Projects	<u>\$ 47,252,991</u>
Total	<u>\$ 47,252,991</u>

During the current and previous fiscal years, the City of Hawthorne has made loans to the Agency to cover for operations. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated within the next fiscal year. As of June 30, 2004, loans to and accrued unpaid interest owed on those loans were \$47,252,991.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 8: Interfund Receivable, Payable and Transfers (Continued)

Interfund Transfers

	Transfers Out			Total
	General Fund	Capital Projects Redevelopment Agency	Nonmajor Governmental Funds	
Transfers In:				
General	\$ -	\$ 15,000	\$ -	\$ 15,000
Police Facility	3,575,000	-	-	3,575,000
CRA Capital Projects	43,810	110,000	1,310,000	1,463,810
Nonmajor Funds	1,164,535	358,920	1,399,656	2,923,111
Enterprise Funds	968,281	-	-	968,281
Total	<u>\$ 5,751,626</u>	<u>\$ 483,920</u>	<u>\$ 2,709,656</u>	<u>\$ 8,945,202</u>

The transfer out to the Police Facility for \$3,575,000 from the General Fund was the City's contribution to the construction expenditures for the new police building. Transfers of \$1,164,535 to nonmajor funds were for City matching of the Local Law Enforcement Grant in the amount of \$439,598, and for debt service contributions on the 1997 COP bond in the amount of \$724,937. The transfer of \$43,810 to the Capital Projects Redevelopment Agency is for repayment for prior year use of funds.

The transfer out from the Capital Projects Redevelopment Agency of \$358,920 was for contribution of the debt service on the 1994 Tax Allocation Bond. The transfer of \$15,000 to the General Fund was to cover administrative expenditures.

The transfer out from nonmajor funds of \$1,310,000 to the Capital Projects Redevelopment Agency was to cover administrative expenditures. Transfer of \$1,399,656 to nonmajor funds were to cover public works projects in the amount of \$957,714, and for contribution of the debt service on the 1998 Tax Allocation Bond of \$441,942.

The transfer out to the Enterprise Funds of \$968,281 from the General Fund was to close out the Refuse Fund.

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

Note 9: Restatement of Fund Balances/Net Assets

Beginning fund equity has been restated as follows:

Major Governmental Funds:	
South Bay Workforce Investment Board:	
To properly record prior year revenues not received as deferred revenue	\$ (14,472,042)
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Community Development Block Grant:	
To properly record proceeds of the Section 108 loan issued in prior years	500,000
Net assets have been restated as follows:	
Governmental Activities:	
To properly record loans payable of the Section 108 loan issued in prior years	(500,000)
Interest revenue from advances to the CRA which were reported as deferred revenue in prior years	<u>23,984,678</u>
Total restatements	<u><u>\$ 9,512,636</u></u>

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.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 10: Other Post-Employment Benefits (Continued)

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, 2004, expenditures of approximately \$1,025,150 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, 2004, there were 192 retirees and dependent spouses receiving post-employment benefits.

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 Long-Term Debt.

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 \$2,585,651 reported in the fund at June 30, 2004 is based on the requirements of Governmental Accounting Standards Board 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 2003 and 2004 were as follows:

Year	Liability July 1, 2003	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30, 2004
2003	\$ 1,713,531	\$ (136,668)	\$ (904,406)	\$ 672,457
2004	672,457	2,779,599	(866,405)	2,585,651

City of Hawthorne
Notes to Financial Statements (Continued)

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.

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 11 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.

City of Hawthorne
Notes to Financial Statements (Continued)

Note 12: Commitments and Contingencies (Continued)

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
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>Special Revenue Funds</u>		
	<u>Street Lighting</u>	<u>Gas Tax</u>	<u>Street</u>
Assets:			
Pooled cash and investments	\$ 1,418,068	\$ 578,356	\$ 41,076
Receivables:			
Accounts	-	150,368	3,505
Taxes	16,624	-	6,986
Notes	-	-	-
Accrued interest	4,643	2,595	-
Prepaid costs	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	<u>\$ 1,439,335</u>	<u>\$ 731,319</u>	<u>\$ 51,567</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 41,286	\$ 435,705	\$ 33,445
Accrued liabilities	3,405	-	22,265
Due to other funds	-	-	-
Deferred revenues	-	-	-
Unearned revenues	-	-	-
Deposits payable	-	-	-
Due to other governments	-	-	-
Total Liabilities	<u>44,691</u>	<u>435,705</u>	<u>55,710</u>
Fund Balances:			
Reserved:			
Reserved for encumbrances	-	20,000	5,251
Reserved for prepaid costs	-	-	-
Unreserved:			
Designated for capital projects	-	-	-
Designated for debt service	-	-	-
Undesignated	1,394,644	275,614	(9,394)
Total Fund Balances	<u>1,394,644</u>	<u>295,614</u>	<u>(4,143)</u>
Total Liabilities and Fund Balances	<u>\$ 1,439,335</u>	<u>\$ 731,319</u>	<u>\$ 51,567</u>

Special Revenue Funds					
Asset Forfeiture	Anti Drug Abuse Grant	High Intensity Drug Trafficking	Proposition A	Proposition C	Rosecrans/ Aviation Project
\$ 114,439	\$ -	\$ -	\$ 1,888,451	\$ 226,290	\$ -
-	-	1,103	-	-	-
-	-	-	-	-	-
649	-	-	5,637	653	-
36,093	802,510	1,714,670	88,080	69,408	2,612,901
-	-	-	-	1,749,837	-
-	-	-	-	-	-
\$ 151,181	\$ 802,510	\$ 1,715,773	\$ 1,982,168	\$ 2,046,188	\$ 2,612,901
\$ 10,130	\$ 361,077	\$ 73,414	\$ -	\$ 125,328	\$ 2,246,679
-	3,946	20,800	-	3,174	-
-	391,407	1,027,759	-	-	809,514
-	848,590	46,359	-	-	-
-	-	46,080	-	-	-
-	-	-	-	-	-
-	-	593,801	1,200,000	-	-
10,130	1,605,020	1,808,213	1,200,000	128,502	3,056,193
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	120,000	-	-
-	-	-	-	-	-
141,051	(802,510)	(92,440)	662,168	1,917,686	(443,292)
141,051	(802,510)	(92,440)	782,168	1,917,686	(443,292)
\$ 151,181	\$ 802,510	\$ 1,715,773	\$ 1,982,168	\$ 2,046,188	\$ 2,612,901

CITY OF HAWTHORNE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue Funds		
	Air Quality	Community Development Block Grant	California Used Oil Recycling
Assets:			
Pooled cash and investments	\$ 340,766	\$ 6,758,791	\$ 10,543
Receivables:			
Accounts	27,533	-	-
Taxes	-	-	-
Notes	-	1,369,240	-
Accrued interest	1,076	-	29
Prepaid costs	-	653,523	-
Due from other governments	-	421,684	24,261
Due from other funds	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 369,375	\$ 9,203,238	\$ 34,833
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 505	\$ 48,743	\$ 1,777
Accrued liabilities	382	8,160	497
Due to other funds	-	-	-
Deferred revenues	-	1,369,241	32,559
Unearned revenues	-	372,836	-
Deposits payable	-	5,300	-
Due to other governments	-	448,859	-
Total Liabilities	887	2,253,139	34,833
Fund Balances:			
Reserved:			
Reserved for encumbrances	-	-	-
Reserved for prepaid costs	-	653,523	-
Unreserved:			
Designated for capital projects	-	-	-
Designated for debt service	-	-	-
Undesignated	368,488	6,296,576	-
Total Fund Balances	368,488	6,950,099	-
Total Liabilities and Fund Balances	\$ 369,375	\$ 9,203,238	\$ 34,833

Special Revenue Funds

Local Law Enforcement Block Grant	COPS	COPS in School Grant	Urban Highway	COPS More	AB 2928
\$ 355,848	\$ 233,720	\$ -	\$ -	\$ -	\$ 18,281
-	-	-	-	40	-
-	-	-	-	-	-
1,545	757	-	-	-	66
-	-	-	-	-	-
-	-	54,973	-	359,840	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 357,393	\$ 234,477	\$ 54,973	\$ -	\$ 359,880	\$ 18,347
\$ 115,067	\$ -	\$ -	\$ -	\$ -	\$ -
1,813	-	5,908	-	-	-
-	-	49,065	-	359,880	-
-	-	-	-	-	-
240,513	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
357,393	-	54,973	-	359,880	-
11,714	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(11,714)	234,477	-	-	-	18,347
-	234,477	-	-	-	18,347
\$ 357,393	\$ 234,477	\$ 54,973	\$ -	\$ 359,880	\$ 18,347

CITY OF HAWTHORNE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue Funds		
	California Law Enforcement Equipment Grant	Safe Route to Schools Grant	California Office of Traffic Safety Grant
Assets:			
Pooled cash and investments	\$ 125,756	\$ -	\$ -
Receivables:			
Accounts	-	-	-
Taxes	-	-	-
Notes	-	-	-
Accrued interest	469	-	-
Prepaid costs	-	-	-
Due from other governments	-	-	20,967
Due from other funds	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 126,225	\$ -	\$ 20,967
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	1,034
Due to other funds	-	-	19,933
Deferred revenues	-	-	-
Unearned revenues	126,225	-	-
Deposits payable	-	-	-
Due to other governments	-	-	-
Total Liabilities	126,225	-	20,967
Fund Balances:			
Reserved:			
Reserved for encumbrances	121,366	-	-
Reserved for prepaid costs	-	-	-
Unreserved:			
Designated for capital projects	-	-	-
Designated for debt service	-	-	-
Undesignated	(121,366)	-	-
Total Fund Balances	-	-	-
Total Liabilities and Fund Balances	\$ 126,225	\$ -	\$ 20,967

HOME Grant	Capital Projects Funds	Debt Service Funds		Total Nonmajor Governmental Funds
	Development Impact	Community Redevelopment Agency	Public Financing Authority	
\$ -	\$ 134,526	\$ 2,764,178	\$ -	\$ 15,009,089
-	-	-	-	182,549
-	-	466,060	-	489,670
1,929,958	-	-	-	3,299,198
-	-	-	-	18,119
-	-	-	-	653,523
288,375	-	-	-	6,493,762
-	-	-	-	1,749,837
-	-	1,246,834	1,235,722	2,482,556
\$ 2,218,333	\$ 134,526	\$ 4,477,072	\$ 1,235,722	\$ 30,378,303
\$ 47,110	\$ -	\$ 5,900	\$ 1,850	\$ 3,548,016
4,107	-	-	-	75,491
241,981	-	-	114,729	3,014,268
1,977,669	-	-	-	4,274,418
-	-	-	-	785,654
-	-	-	-	5,300
85,457	-	-	-	2,328,117
2,356,324	-	5,900	116,579	14,031,264
-	-	-	-	158,331
-	-	-	-	653,523
-	-	-	-	120,000
-	-	4,471,172	1,119,143	5,590,315
(137,991)	134,526	-	-	9,824,870
(137,991)	134,526	4,471,172	1,119,143	16,347,039
\$ 2,218,333	\$ 134,526	\$ 4,477,072	\$ 1,235,722	\$ 30,378,303

CITY OF HAWTHORNE
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	<u>Special Revenue Funds</u>		
	<u>Street Lighting</u>	<u>Gas Tax</u>	<u>Street</u>
Revenues:			
Taxes	\$ 571,506	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	1,596,135	42,061
Charges for services	-	-	229,437
Use of money and property	17,198	9,507	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	3,513
Total Revenues	588,704	1,605,642	275,011
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	-	-
Public works	528,843	981,075	1,228,636
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Pass-through agreement payments	-	-	-
Total Expenditures	528,843	981,075	1,228,636
Excess (Deficiency) of Revenues Over (Under) Expenditures	59,861	624,567	(953,625)
Other Financing Sources (Uses):			
Transfers in	-	-	919,634
Transfers out	-	(957,714)	-
Notes and loans issued	-	-	-
Total Other Financing Sources (Uses)	-	(957,714)	919,634
Net Change in Fund Balances	59,861	(333,147)	(33,991)
Fund Balances, Beginning of Year, as Originally Reported	1,334,783	628,761	29,848
Restatements	-	-	-
Fund Balances, Beginning of Year, as Restated	1,334,783	628,761	29,848
Fund Balances, End of Year	\$ 1,394,644	\$ 295,614	\$ (4,143)

Special Revenue Funds					
Asset Forfeiture	Anti Drug Abuse Grant	High Intensity Drug Trafficking	Proposition A	Proposition C	Rosecrans/ Aviation Project
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	1,034,984	5,625,456	1,189,359	1,164,381	3,708,901
4,077	-	-	-	20,900	-
334,897	-	-	16,697	2,617	-
-	-	-	-	-	-
-	-	-	45,681	-	200,000
338,974	1,034,984	5,625,456	1,251,737	1,187,898	3,908,901
-	-	-	-	-	-
576,037	1,832,128	4,455,686	-	-	-
-	-	-	-	-	-
-	-	-	1,200,000	1,242,647	-
-	5,366	1,262,210	-	-	2,784,692
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
576,037	1,837,494	5,717,896	1,200,000	1,242,647	2,784,692
(237,063)	(802,510)	(92,440)	51,737	(54,749)	1,124,209
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(237,063)	(802,510)	(92,440)	51,737	(54,749)	1,124,209
378,114	-	-	730,431	1,972,435	(1,567,501)
-	-	-	-	-	-
378,114	-	-	730,431	1,972,435	(1,567,501)
\$ 141,051	\$ (802,510)	\$ (92,440)	\$ 782,168	\$ 1,917,686	\$ (443,292)

CITY OF HAWTHORNE
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	Special Revenue Funds		
	Air Quality	Community Development Block Grant	California Used Oil Recycling
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	102,358	1,992,599	42,654
Charges for services	-	134,879	-
Use of money and property	4,157	-	202
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Total Revenues	106,515	2,127,478	42,856
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	77,925	2,759,240	-
Public works	-	-	42,856
Capital outlay	-	3,640	-
Debt service:			
Principal retirement	-	50,000	-
Interest and fiscal charges	-	52,217	-
Pass-through agreement payments	-	-	-
Total Expenditures	77,925	2,865,097	42,856
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,590	(737,619)	-
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Notes and loans issued	-	7,300,000	-
Total Other Financing Sources (Uses)	-	7,300,000	-
Net Change in Fund Balances	28,590	6,562,381	-
Fund Balances, Beginning of Year, as Originally Reported	339,898	(112,282)	-
Restatements	-	500,000	-
Fund Balances, Beginning of Year, as Restated	339,898	387,718	-
Fund Balances, End of Year	\$ 368,488	\$ 6,950,099	\$ -

Special Revenue Funds

Local Law Enforcement Block Grant	COPS	COPS in School Grant	Urban Highway	COPS More	AB 2928
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
422,385	130,194	-	-	473,565	-
-	-	-	-	-	-
6,389	2,226	-	-	-	333
-	-	-	-	-	-
-	-	10,914	-	-	-
428,774	132,420	10,914	-	473,565	333
-	-	-	-	-	-
212,392	8,815	280,914	-	-	-
-	-	-	-	-	-
-	-	-	-	-	12,566
254,046	-	-	-	605,499	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
466,438	8,815	280,914	-	605,499	12,566
(37,664)	123,605	(270,000)	-	(131,934)	(12,233)
37,664	-	270,000	-	131,934	-
-	-	-	-	-	-
-	-	-	-	-	-
37,664	-	270,000	-	131,934	-
-	123,605	-	-	-	(12,233)
-	110,872	-	-	-	30,580
-	-	-	-	-	-
-	110,872	-	-	-	30,580
\$ -	\$ 234,477	\$ -	\$ -	\$ -	\$ 18,347

CITY OF HAWTHORNE
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	Special Revenue Funds		
	California Law Enforcement Equipment Grant	Safe Route to Schools Grant	California Office of Traffic Safety Grant
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	32,612	51,418	84,894
Charges for services	-	-	-
Use of money and property	2,003	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Total Revenues	34,615	51,418	84,894
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	63,679
Community development	-	-	-
Public works	-	-	-
Capital outlay	34,615	89,498	21,215
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Pass-through agreement payments	-	-	-
Total Expenditures	34,615	89,498	84,894
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(38,080)	-
Other Financing Sources (Uses):			
Transfers in	-	38,080	-
Transfers out	-	-	-
Notes and loans issued	-	-	-
Total Other Financing Sources (Uses)	-	38,080	-
Net Change in Fund Balances	-	-	-
Fund Balances, Beginning of Year, as Originally Reported	-	-	-
Restatements	-	-	-
Fund Balances, Beginning of Year, as Restated	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -

<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>		<u>Total Governmental Funds</u>
<u>HOME Grant</u>	<u>Development Impact</u>	<u>Community Redevelopment Agency</u>	<u>Public Financing Authority</u>	
\$ -	\$ -	\$ 6,602,598	\$ -	\$ 7,174,104
-	192,844	-	-	192,844
326,382	-	-	-	18,020,338
117,307	-	-	-	502,523
-	-	48,637	961	115,004
-	-	-	-	334,897
152,365	-	-	-	412,473
596,054	192,844	6,651,235	961	26,752,183
-	-	123,293	16,818	140,111
-	-	-	-	7,429,651
734,045	54,970	1,166,305	-	4,792,485
-	-	-	-	5,236,623
-	-	-	-	5,060,781
-	-	425,000	275,000	750,000
-	-	1,023,636	442,420	1,518,273
-	-	2,243,196	-	2,243,196
734,045	54,970	4,981,430	734,238	27,171,120
(137,991)	137,874	1,669,805	(733,277)	(418,937)
-	-	800,862	724,937	2,923,111
-	-	(1,751,942)	-	(2,709,656)
-	-	-	-	7,300,000
-	-	(951,080)	724,937	7,513,455
(137,991)	137,874	718,725	(8,340)	7,094,518
-	(3,348)	3,752,447	1,127,483	8,752,521
-	-	-	-	500,000
-	(3,348)	3,752,447	1,127,483	9,252,521
\$ (137,991)	\$ 134,526	\$ 4,471,172	\$ 1,119,143	\$ 16,347,039

CITY OF HAWTHORNE

Schedule 3A

BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,334,783	\$ 1,334,783	\$ 1,334,783	\$ -
Resources (Inflows):				
Taxes	560,000	560,000	571,506	11,506
Use of money and property	27,000	27,000	17,198	(9,802)
Amounts Available for Appropriation	1,921,783	1,921,783	1,923,487	1,704
Charges to Appropriation (Outflow):				
Public works	629,397	629,397	528,843	100,554
Total Charges to Appropriations	629,397	629,397	528,843	100,554
Budgetary Fund Balance, June 30	\$ 1,292,386	\$ 1,292,386	\$ 1,394,644	\$ 102,258

CITY OF HAWTHORNE

Schedule 3B

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 628,761	\$ 628,761	\$ 628,761	\$ -
Resources (Inflows):				
Intergovernmental	1,800,000	1,800,000	1,596,135	(203,865)
Use of money and property	18,000	18,000	9,507	(8,493)
Amounts Available for Appropriation	2,446,761	2,446,761	2,234,403	(212,358)
Charges to Appropriation (Outflow):				
Public works	1,236,027	1,236,027	981,075	254,952
Transfers to other funds	779,500	779,500	957,714	(178,214)
Total Charges to Appropriations	2,015,527	2,015,527	1,938,789	76,738
Budgetary Fund Balance, June 30	\$ 431,234	\$ 431,234	\$ 295,614	\$ (135,620)

CITY OF HAWTHORNE

Schedule 3C

**BUDGETARY COMPARISON SCHEDULE
STREET
YEAR ENDED JUNE 30, 2004**

	<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	\$ 29,848	\$ 29,848	\$ 29,848	\$ -
Resources (Inflows):				
Intergovernmental	42,100	42,100	42,061	(39)
Charges for services	220,000	220,000	229,437	9,437
Other	-	-	3,513	3,513
Transfers from other funds	779,500	779,500	919,634	140,134
Amounts Available for Appropriation	1,071,448	1,071,448	1,224,493	153,045
Charges to Appropriation (Outflow):				
Public works	1,182,275	1,182,275	1,228,636	(46,361)
Total Charges to Appropriations	1,182,275	1,182,275	1,228,636	(46,361)
Budgetary Fund Balance, June 30	\$ (110,827)	\$ (110,827)	\$ (4,143)	\$ 106,684

CITY OF HAWTHORNE

Schedule 3D

**BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 378,114	\$ 378,114	\$ 378,114	\$ -
Resources (Inflows):				
Use of money and property	8,000	8,000	4,077	(3,923)
Fines and forfeitures	200,000	200,000	334,897	134,897
Amounts Available for Appropriation	586,114	586,114	717,088	130,974
Charges to Appropriation (Outflow):				
Public safety	487,709	562,709	576,037	(13,328)
Total Charges to Appropriations	487,709	562,709	576,037	(13,328)
Budgetary Fund Balance, June 30	\$ 98,405	\$ 23,405	\$ 141,051	\$ 117,646

CITY OF HAWTHORNE

Schedule 3E

BUDGETARY COMPARISON SCHEDULE
 ANTI DRUG ABUSE GRANT
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	1,602,796	2,204,290	1,034,984	(1,169,306)
Amounts Available for Appropriation	1,602,796	2,204,290	1,034,984	(1,169,306)
Charges to Appropriation (Outflow):				
Public safety	1,602,796	2,198,621	1,832,128	366,493
Capital outlay	-	5,670	5,366	304
Total Charges to Appropriations	1,602,796	2,204,291	1,837,494	366,797
Budgetary Fund Balance, June 30	\$ -	\$ (1)	\$ (802,510)	\$ (802,509)

CITY OF HAWTHORNE

Schedule 3F

**BUDGETARY COMPARISON SCHEDULE
HIGH INTENSITY DRUG TRAFFICKING
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	4,203,390	4,044,553	5,625,456	1,580,903
Amounts Available for Appropriation	4,203,390	4,044,553	5,625,456	1,580,903
Charges to Appropriation (Outflow):				
Public safety	4,078,333	4,072,663	4,455,686	(383,023)
Capital outlay	23,677	23,677	1,262,210	(1,238,533)
Total Charges to Appropriations	4,102,010	4,096,340	5,717,896	(1,621,556)
Budgetary Fund Balance, June 30	\$ 101,380	\$ (51,787)	\$ (92,440)	\$ (40,653)

CITY OF HAWTHORNE

Schedule 3G

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION A
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 730,431	\$ 730,431	\$ 730,431	\$ -
Resources (Inflows):				
Intergovernmental	1,194,300	1,194,300	1,189,359	(4,941)
Use of money and property	10,000	10,000	16,697	6,697
Other	-	-	45,681	45,681
Amounts Available for Appropriation	1,934,731	1,934,731	1,982,168	47,437
Charges to Appropriation (Outflow):				
Public works	1,340,000	1,340,000	1,200,000	140,000
Total Charges to Appropriations	1,340,000	1,340,000	1,200,000	140,000
Budgetary Fund Balance, June 30	\$ 594,731	\$ 594,731	\$ 782,168	\$ 187,437

CITY OF HAWTHORNE

Schedule 3H

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,972,435	\$ 1,972,435	\$ 1,972,435	\$ -
Resources (Inflows):				
Intergovernmental	980,000	980,000	1,164,381	184,381
Charges for services	25,750	25,750	20,900	(4,850)
Use of money and property	30,000	30,000	2,617	(27,383)
Amounts Available for Appropriation	3,008,185	3,008,185	3,160,333	152,148
Charges to Appropriation (Outflow):				
Public works	2,057,445	2,057,445	1,242,647	814,798
Total Charges to Appropriations	2,057,445	2,057,445	1,242,647	814,798
Budgetary Fund Balance, June 30	\$ 950,740	\$ 950,740	\$ 1,917,686	\$ 966,946

CITY OF HAWTHORNE

Schedule 3I

**BUDGETARY COMPARISON SCHEDULE
ROSECRANS/AVIATION PROJECT
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (1,567,501)	\$ (1,567,501)	\$ (1,567,501)	\$ -
Resources (Inflows):				
Intergovernmental	4,490,000	6,459,320	3,708,901	(2,750,419)
Other	646,122	646,122	200,000	(446,122)
Amounts Available for Appropriation	3,568,621	5,537,941	2,341,400	(3,196,541)
Charges to Appropriation (Outflow):				
Capital outlay	5,136,122	7,105,442	2,784,692	4,320,750
Total Charges to Appropriations	5,136,122	7,105,442	2,784,692	4,320,750
Budgetary Fund Balance, June 30	\$ (1,567,501)	\$ (1,567,501)	\$ (443,292)	\$ 1,124,209

CITY OF HAWTHORNE

Schedule 3J

BUDGETARY COMPARISON SCHEDULE
 AIR QUALITY
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 339,898	\$ 339,898	\$ 339,898	\$ -
Resources (Inflows):				
Intergovernmental	80,000	-	102,358	102,358
Use of money and property	6,000	6,000	4,157	(1,843)
Amounts Available for Appropriation	425,898	345,898	446,413	100,515
Charges to Appropriation (Outflow):				
Community development	89,119	89,119	77,925	11,194
Total Charges to Appropriations	89,119	89,119	77,925	11,194
Budgetary Fund Balance, June 30	\$ 336,779	\$ 256,779	\$ 368,488	\$ 111,709

CITY OF HAWTHORNE

Schedule 3K

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 387,718	\$ 387,718	\$ 387,718	\$ -
Resources (Inflows):				
Intergovernmental	2,367,926	2,435,166	1,992,599	(442,567)
Charges for services	287,004	287,004	134,879	(152,125)
Other	900,000	900,000	-	(900,000)
Notes and loans issued	-	-	7,300,000	7,300,000
Amounts Available for Appropriation	3,942,648	4,009,888	9,815,196	5,805,308
Charges to Appropriation (Outflow):				
Community development	6,773,273	3,413,705	2,759,240	654,465
Capital outlay	-	67,240	3,640	63,600
Debt service:				
Principal	50,000	50,000	50,000	-
Interest and fiscal charges	85,000	85,000	52,217	32,783
Total Charges to Appropriations	6,908,273	3,615,945	2,865,097	750,848
Budgetary Fund Balance, June 30	\$ (2,965,625)	\$ 393,943	\$ 6,950,099	\$ 6,556,156

CITY OF HAWTHORNE

Schedule 3L

BUDGETARY COMPARISON SCHEDULE
 CALIFORNIA USED OIL RECYCLING
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	41,579	41,579	42,654	1,075
Use of money and property	-	-	202	202
Amounts Available for Appropriation	41,579	41,579	42,856	1,277
Charges to Appropriation (Outflow):				
Public works	44,968	44,968	42,856	2,112
Total Charges to Appropriations	44,968	44,968	42,856	2,112
Budgetary Fund Balance, June 30	\$ (3,389)	\$ (3,389)	\$ -	\$ 3,389

CITY OF HAWTHORNE

Schedule 3M

**BUDGETARY COMPARISON SCHEDULE
LOCAL LAW ENFORCEMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	259,890	259,890	422,385	162,495
Use of money and property	5,000	5,000	6,389	1,389
Transfers from other funds	28,466	28,466	37,664	9,198
Amounts Available for Appropriation	293,356	293,356	466,438	173,082
Charges to Appropriation (Outflow):				
Public safety	166,006	166,006	212,392	(46,386)
Capital outlay	127,350	127,350	254,046	(126,696)
Total Charges to Appropriations	293,356	293,356	466,438	(173,082)
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF HAWTHORNE

Schedule 3N

BUDGETARY COMPARISON SCHEDULE
COPS
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 110,872	\$ 110,872	\$ 110,872	\$ -
Resources (Inflows):				
Intergovernmental	175,000	175,000	130,194	(44,806)
Invest income	3,000	3,000	2,226	(774)
Amounts Available for Appropriation	288,872	288,872	243,292	(45,580)
Charges to Appropriation (Outflow):				
Public safety	108,815	108,815	8,815	100,000
Total Charges to Appropriations	108,815	108,815	8,815	100,000
Budgetary Fund Balance, June 30	\$ 180,057	\$ 180,057	\$ 234,477	\$ 54,420

CITY OF HAWTHORNE

Schedule 30

BUDGETARY COMPARISON SCHEDULE
COPS IN SCHOOL GRANT
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Other	22,487	22,487	10,914	(11,573)
Transfers from other funds	270,000	270,000	270,000	-
Amounts Available for Appropriation	292,487	292,487	280,914	(11,573)
Charges to Appropriation (Outflow):				
Public safety	292,487	292,487	280,914	11,573
Total Charges to Appropriations	292,487	292,487	280,914	11,573
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

**BUDGETARY COMPARISON SCHEDULE
URBAN HIGHWAY
YEAR ENDED JUNE 30, 2004**

	<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	550,000	550,000	-	(550,000)
Amounts Available for Appropriation	<u>550,000</u>	<u>550,000</u>	<u>-</u>	<u>(550,000)</u>
Budgetary Fund Balance, June 30	<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ (550,000)</u>

CITY OF HAWTHORNE

Schedule 3Q

BUDGETARY COMPARISON SCHEDULE
COPS MORE
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	1,078,355	1,078,355	473,565	(604,790)
Transfers from other funds	-	-	131,934	131,934
Amounts Available for Appropriation	1,078,355	1,078,355	605,499	(472,856)
Charges to Appropriation (Outflow):				
Public safety	732,433	732,433	-	732,433
Capital outlay	345,922	345,922	605,499	(259,577)
Total Charges to Appropriations	1,078,355	1,078,355	605,499	472,856
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF HAWTHORNE

Schedule 3R

BUDGETARY COMPARISON SCHEDULE
 AB 2928
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 30,580	\$ 30,580	\$ 30,580	\$ -
Resources (Inflows):				
Investment income	-	-	333	333
Amounts Available for Appropriation	30,580	30,580	30,913	333
Charges to Appropriation (Outflow):				
Capital outlay	100,780	100,780	-	100,780
Public works	22,566	22,566	12,566	10,000
Total Charges to Appropriations	123,346	123,346	12,566	110,780
Budgetary Fund Balance, June 30	\$ (92,766)	\$ (92,766)	\$ 18,347	\$ 111,113

CITY OF HAWTHORNE

Schedule 3S

BUDGETARY COMPARISON SCHEDULE
 CALIFORNIA LAW ENFORCEMENT EQUIPMENT GRANT
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	158,837	158,837	32,612	(126,225)
Investment income	-	-	2,003	2,003
Amounts Available for Appropriation	158,837	158,837	34,615	(124,222)
Charges to Appropriation (Outflow):				
Capital outlay	158,837	158,837	34,615	124,222
Total Charges to Appropriations	158,837	158,837	34,615	124,222
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF HAWTHORNE

Schedule 3T

**BUDGETARY COMPARISON SCHEDULE
SAFE ROUTE TO SCHOOLS GRANT
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	415,000	415,000	51,418	(363,582)
Transfers from other funds	-	-	38,080	38,080
Amounts Available for Appropriation	415,000	415,000	89,498	(363,582)
Charges to Appropriation (Outflow):				
Capital outlay	410,000	410,000	89,498	320,502
Public works	5,000	5,000	-	5,000
Total Charges to Appropriations	415,000	415,000	89,498	325,502
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ (38,080)

CITY OF HAWTHORNE

Schedule 3U

BUDGETARY COMPARISON SCHEDULE
 CALIFORNIA OFFICE OF TRAFFIC SAFETY GRANT
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	118,547	84,894	(33,653)
Amounts Available for Appropriation	-	118,547	84,894	(33,653)
Charges to Appropriation (Outflow):				
Public safety	-	89,547	63,679	25,868
Capital outlay	-	29,000	21,215	7,785
Total Charges to Appropriations	-	118,547	84,894	33,653
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF HAWTHORNE

Schedule 3V

BUDGETARY COMPARISON SCHEDULE
HOME GRANT
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	1,337,184	3,353,343	326,382	(3,026,961)
Charges for Services	-	-	117,307	117,307
Other	-	-	152,365	152,365
Amounts Available for Appropriation	1,337,184	3,353,343	596,054	(2,757,289)
Charges to Appropriation (Outflow):				
Public services	-	3,359,568	734,045	2,625,523
Total Charges to Appropriations	-	3,359,568	734,045	2,625,523
Budgetary Fund Balance, June 30	\$ 1,337,184	\$ (6,225)	\$ (137,991)	\$ (131,766)

CITY OF HAWTHORNE

Schedule 4A

BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (3,348)	\$ (3,348)	\$ (3,348)	\$ -
Resources (Inflows):				
Licenses and permits	100,000	100,000	192,844	92,844
Amounts Available for Appropriation	96,652	96,652	189,496	92,844
Charges to Appropriation (Outflow):				
Community development	54,986	54,986	54,970	16
Total Charges to Appropriations	54,986	54,986	54,970	16
Budgetary Fund Balance, June 30	\$ 41,666	\$ 41,666	\$ 134,526	\$ 92,860

CITY OF HAWTHORNE

Schedule 4B

**BUDGETARY COMPARISON SCHEDULE
POLICE FACILITY
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (2,650,519)	\$ (2,650,519)	\$ (2,650,519)	\$ -
Resources (Inflows):				
Notes and loans issued	11,150,000	11,150,000	10,240,222	(909,778)
Transfers from other funds	3,575,000	3,575,000	3,575,000	-
Amounts Available for Appropriation	12,074,481	12,074,481	11,164,703	(909,778)
Charges to Appropriation (Outflow):				
Public safety	232,674	232,674	391,687	(159,013)
Capital outlay	14,860,500	14,860,500	15,754,918	(894,418)
Debt service:				
Interest and fiscal charges	457,650	457,650	190,334	267,316
Total Charges to Appropriations	15,550,824	15,550,824	16,336,939	(786,115)
Budgetary Fund Balance, June 30	\$ (3,476,343)	\$ (3,476,343)	\$ (5,172,236)	\$ (1,695,893)

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY - CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2004**

	<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	\$(37,661,138)	\$(37,661,138)	\$(37,661,138)	\$ -
Resources (Inflows):				
Taxes	844,625	844,625	1,166,305	321,680
Use of money and property	90,200	90,200	76,314	(13,886)
Other	-	-	117	117
Notes and loans issued	1,590,000	1,590,000	-	(1,590,000)
Transfers from other funds	1,420,000	1,463,810	1,463,810	-
Amounts Available for Appropriation	(33,716,313)	(33,672,503)	(34,954,592)	(1,282,089)
Charges to Appropriation (Outflow):				
General government	3,199,265	3,199,265	1,403,202	1,796,063
Community development	1,065,000	1,065,000	1,025,716	39,284
Debt service:				
Principal	213,412	213,412	156,991	56,421
Interest and fiscal charges	-	-	4,279,874	(4,279,874)
Pass-through agreement payments	-	-	274,757	(274,757)
Contribution to agency funds	895,000	895,000	1,189,360	(294,360)
Transfers to other funds	483,920	483,920	483,920	-
Total Charges to Appropriations	5,856,597	5,856,597	8,813,820	(2,957,223)
Budgetary Fund Balance, June 30	<u>\$(39,572,910)</u>	<u>\$(39,529,100)</u>	<u>\$(43,768,412)</u>	<u>\$(4,239,312)</u>

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY - DEBT SERVICE
YEAR ENDED JUNE 30, 2004**

	<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	\$ 3,752,447	\$ 3,752,447	\$ 3,752,447	\$ -
Resources (Inflows):				
Taxes	4,694,500	4,238,500	6,602,598	2,364,098
Intergovernmental	(2,765,760)	(2,765,760)	-	2,765,760
Use of money and property	40,000	40,000	48,637	8,637
Transfers from other funds	800,862	800,862	800,862	-
Amounts Available for Appropriation	<u>6,522,049</u>	<u>6,066,049</u>	<u>11,204,544</u>	<u>5,138,495</u>
Charges to Appropriation (Outflow):				
General government	13,150	33,760	123,293	(89,533)
Community development	860,000	860,000	1,166,305	(306,305)
Debt service:				
Principal	435,000	435,000	425,000	10,000
Interest and fiscal charges	1,019,618	1,019,618	1,023,636	(4,018)
Pass-through agreement payments	-	-	2,243,196	(2,243,196)
Transfers to other funds	1,751,942	1,751,942	1,751,942	-
Total Charges to Appropriations	<u>4,079,710</u>	<u>4,100,320</u>	<u>6,733,372</u>	<u>(2,633,052)</u>
Budgetary Fund Balance, June 30	<u>\$ 2,442,339</u>	<u>\$ 1,965,729</u>	<u>\$ 4,471,172</u>	<u>\$ 2,505,443</u>

CITY OF HAWTHORNE

Schedule 5B

**BUDGETARY COMPARISON SCHEDULE
PUBLIC FINANCING AUTHORITY
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,127,483	\$ 1,127,483	\$ 1,127,483	\$ -
Resources (Inflows):				
Use of money and property	5,000	5,000	961	(4,039)
Transfers from other funds	726,508	726,508	724,937	(1,571)
Amounts Available for Appropriation	1,858,991	1,858,991	1,853,381	(5,610)
Charges to Appropriation (Outflow):				
General government	12,568	12,568	16,818	(4,250)
Debt service:				
Principal	275,000	275,000	275,000	-
Interest and fiscal charges	442,420	442,420	442,420	-
Total Charges to Appropriations	729,988	729,988	734,238	(4,250)
Budgetary Fund Balance, June 30	\$ 1,129,003	\$ 1,129,003	\$ 1,119,143	\$ (9,860)

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2004**

	<u>Airport</u>	<u>Refuse</u>	<u>Sewer and Storm Drain</u>	<u>Totals</u>
Assets:				
Current:				
Cash and investments	\$ 20,659	\$ -	\$ 186,666	\$ 207,325
Receivables:				
Accounts	142,496	-	28,919	171,415
Total Current Assets	163,155	-	215,585	378,740
Noncurrent:				
Fixed assets - net of accumulated depreciation	3,003,268	-	217,306	3,220,574
Total Noncurrent Assets	3,003,268	-	217,306	3,220,574
Total Assets	\$ 3,166,423	\$ -	\$ 432,891	\$ 3,599,314
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	\$ 329,880	\$ -	\$ 18,956	\$ 348,836
Accrued payroll payable	18,232	-	5,844	24,076
Deposits payable	42,508	-	-	42,508
Due to other governments	83	-	-	83
Total Current Liabilities	390,703	-	24,800	415,503
Noncurrent:				
Compensated absences	128,939	-	-	128,939
Total Noncurrent Liabilities	128,939	-	-	128,939
Total Liabilities	519,642	-	24,800	544,442
Net Assets:				
Invested in capital assets, net of related debt	3,003,268	-	217,306	3,220,574
Unrestricted	(356,487)	-	190,785	(165,702)
Total Net Assets	2,646,781	-	408,091	3,054,872
Total Liabilities and Net Assets	\$ 3,166,423	\$ -	\$ 432,891	\$ 3,599,314

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004**

	<u>Airport</u>	<u>Refuse</u>	<u>Sewer and Storm Drain</u>	<u>Totals</u>
Operating Revenues:				
Sales and service charges	\$ 694,965	\$ 107,656	\$ 260,140	\$ 1,062,761
Miscellaneous	98,033	-	3,000	101,033
Total Operating Revenues	<u>792,998</u>	<u>107,656</u>	<u>263,140</u>	<u>1,163,794</u>
Operating Expenses:				
Source of supply	-	-	71,654	71,654
Refuse collection	-	642,513	-	642,513
Cost of sales and services	-	-	97,400	97,400
Administration and general	711,557	-	202,040	913,597
Depreciation	164,895	-	49,977	214,872
Total Operating Expenses	<u>876,452</u>	<u>642,513</u>	<u>421,071</u>	<u>1,940,036</u>
Operating Income (Loss)	<u>(83,454)</u>	<u>(534,857)</u>	<u>(157,931)</u>	<u>(776,242)</u>
Nonoperating Revenues (Expenses):				
Taxes	-	399,773	-	399,773
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>399,773</u>	<u>-</u>	<u>399,773</u>
Income (Loss) Before Transfers	(83,454)	(135,084)	(157,931)	(376,469)
Transfers in	-	968,281	-	968,281
Transfers out	-	(10,619)	-	(10,619)
Changes in Net Assets	(83,454)	822,578	(157,931)	581,193
Net Assets:				
Beginning of Fiscal Year	<u>2,730,235</u>	<u>(822,578)</u>	<u>566,022</u>	<u>2,473,679</u>
End of Fiscal Year	<u>\$ 2,646,781</u>	<u>\$ -</u>	<u>\$ 408,091</u>	<u>\$ 3,054,872</u>

STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	Business-Type Activities - Enterprise Funds			Totals
	Airport	Refuse	Sewer and Storm Drain	
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 635,747	\$ 1,104,139	\$ 260,922	\$ 2,000,808
Cash paid to supplies for good and services	(42,754)	(940,146)	(186,925)	(1,169,825)
Cash paid to employees for services	(666,498)	(8,812)	(202,556)	(877,866)
Cash received from (paid to) others	98,033	-	3,000	101,033
Net Cash Provided (Used) by Operating Activities	24,528	155,181	(125,559)	54,150
Cash Flows from Noncapital Financing Activities:				
Cash transfer to other funds	-	(10,619)	-	(10,619)
Cash transfer from other funds	-	968,281	-	968,281
Due to other funds	-	(1,523,235)	-	(1,523,235)
Special franchise fees	-	399,773	-	399,773
Net Cash Provided (Used) by Noncapital Financing Activities	-	(165,800)	-	(165,800)
Cash Flows from Capital and Related Financing Activities:				
Purchases of capital assets	(349,622)	10,619	-	(339,003)
Net Cash Provided (Used) by Capital and Related Financing Activities	(349,622)	10,619	-	(339,003)
Net Increase (Decrease) in Cash and Cash Equivalents	(325,094)	-	(125,559)	(450,653)
Cash and Cash Equivalents at Beginning of Year	345,753	-	312,225	657,978
Cash and Cash Equivalents at End of Year	\$ 20,659	\$ -	\$ 186,666	\$ 207,325
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (83,454)	\$ (534,857)	\$ (157,931)	\$ (776,242)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	164,895	-	49,977	214,872
(Increase) decrease in accounts receivable	(59,218)	996,483	782	938,047
Increase (decrease) in accounts payable	(42,689)	(297,633)	(17,871)	(358,193)
Increase (decrease) in accrued liabilities	6,699	(8,812)	(516)	(2,629)
Increase (decrease) in deposits payable	(65)	-	-	(65)
Increase (decrease) in compensated absences payable	38,360	-	-	38,360
Total Adjustments	107,982	690,038	32,372	830,392
Net Cash Provided (Used) by Operating Activities	\$ 24,528	\$ 155,181	\$ (125,559)	\$ 54,150

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2004**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total</u>
Assets:			
Current:			
Cash and investments	\$ 1,362,776	\$ 2,415,880	\$ 3,778,656
Receivables (net of allowance for uncollectibles):			
Accounts	-	6,330	6,330
Loans and notes	310,000	-	310,000
Inventories	14,311	-	14,311
Deposits	-	125,000	125,000
	<u>1,687,087</u>	<u>2,547,210</u>	<u>4,234,297</u>
Total Current Assets			
Noncurrent:			
Machinery, equipment and vehicles	4,616,403	-	4,616,403
Accumulated depreciation	<u>(3,050,914)</u>	<u>-</u>	<u>(3,050,914)</u>
Fixed assets - net of accumulated depreciation	<u>1,565,489</u>	<u>-</u>	<u>1,565,489</u>
	<u>\$ 3,252,576</u>	<u>\$ 2,547,210</u>	<u>\$ 5,799,786</u>
Total Assets			
Liabilities and Fund Equity:			
Liabilities:			
Current:			
Accounts payable	\$ 74,985	\$ 177,595	\$ 252,580
Accrued liabilities	<u>17,999</u>	<u>10,298</u>	<u>28,297</u>
	<u>92,984</u>	<u>187,893</u>	<u>280,877</u>
Total Current Liabilities			
Long-Term:			
Claims payable	-	2,585,651	2,585,651
Compensated absences	171,874	-	171,874
Lease payable	<u>408,819</u>	<u>-</u>	<u>408,819</u>
	<u>673,677</u>	<u>2,773,544</u>	<u>3,447,221</u>
Total Liabilities			
Net Assets:			
Invested in capital assets, net of related debt	1,156,670	-	1,156,670
Unrestricted	<u>1,422,229</u>	<u>(226,334)</u>	<u>1,195,895</u>
	<u>2,578,899</u>	<u>(226,334)</u>	<u>2,352,565</u>
Total Net Assets			
Total Liabilities and Net Assets	<u>\$ 3,252,576</u>	<u>\$ 2,547,210</u>	<u>\$ 5,799,786</u>

**COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2004**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Totals</u>
Operating Revenues:			
Sales and service charges	\$ 430,716	\$ 2,227,489	\$ 2,658,205
Miscellaneous	35,845	77,237	113,082
Total Operating Revenues	<u>466,561</u>	<u>2,304,726</u>	<u>2,771,287</u>
Operating Expenses:			
Materials and supplies	509,916	-	509,916
Contractual services	26,225	4,315,948	4,342,173
Administration and general	467,318	-	467,318
Depreciation	638,220	-	638,220
Total Operating Expenses	<u>1,641,679</u>	<u>4,315,948</u>	<u>5,957,627</u>
Operating Income (Loss)	<u>(1,175,118)</u>	<u>(2,011,222)</u>	<u>(3,186,340)</u>
Nonoperating Revenues (Expenses):			
Gain (loss) from sale of fixed assets	11,546	-	11,546
Total Nonoperating Revenues	<u>11,546</u>	<u>-</u>	<u>11,546</u>
Income Before Contributions and Transfers	(1,163,572)	(2,011,222)	(3,174,794)
Capital Contributions	21,215	-	21,215
Change in Net Assets	(1,142,357)	(2,011,222)	(3,153,579)
Net Assets:			
Beginning of Fiscal Year	<u>3,721,256</u>	<u>1,784,888</u>	<u>5,506,144</u>
End of Fiscal Year	<u>\$ 2,578,899</u>	<u>\$ (226,334)</u>	<u>\$ 2,352,565</u>

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2004**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from interfund service provided	\$ 430,716	\$ 2,946,159	\$ 3,376,875
Cash payments to supplies for good and services	(486,384)	(2,587,303)	(3,073,687)
Cash payments to employees for services	(455,803)	2,204	(453,599)
Cash received from (paid to) others	35,845	77,237	113,082
Net Cash Provided (Used) by Operating Activities	<u>(475,626)</u>	<u>438,297</u>	<u>(37,329)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	21,215	-	21,215
Purchases of capital assets	(53,335)	-	(53,335)
Principal paid on capital debt	(662,314)	-	(662,314)
Proceeds from sales of capital assets	11,546	-	11,546
Net Cash Provided (Used) by Capital and and Related Financing Activities	<u>(682,888)</u>	<u>-</u>	<u>(682,888)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,158,514)	438,297	(720,217)
Cash and Cash Equivalents, Beginning of Year	2,521,290	1,977,583	4,498,873
Cash and Cash Equivalents, End of Year	<u>\$ 1,362,776</u>	<u>\$ 2,415,880</u>	<u>\$ 3,778,656</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,175,118)	\$ (2,011,222)	\$ (3,186,340)
Adjustments to reconcile operating income (loss) to to net cash provided (used) by operating activities:			
Depreciation	638,220	-	638,220
(Increase) decrease in accounts receivable	-	843,670	843,670
(Increase) decrease in deposits	-	(125,000)	(125,000)
Increase (decrease) in accounts payable	49,757	41,553	91,310
Increase (decrease) in accrued liabilities	5,771	2,204	7,975
Increase (decrease) in compensated absences payable	5,744	-	5,744
Increase (decrease) in claims and judgments payable	-	1,687,092	1,687,092
Total Adjustments	<u>699,492</u>	<u>2,449,519</u>	<u>3,149,011</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (475,626)</u>	<u>\$ 438,297</u>	<u>\$ (37,329)</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, 2004**

	<u>Community Facilities District</u>	<u>City Agency</u>	<u>Totals</u>
Assets:			
Cash and investments	\$ 1,491,956	\$ 69,119	\$ 1,561,075
Restricted assets:			
Cash with fiscal agent	<u>4,149,727</u>	<u>-</u>	<u>4,149,727</u>
Total Assets	<u>\$ 5,641,683</u>	<u>\$ 69,119</u>	<u>\$ 5,710,802</u>
Liabilities:			
Accounts payable	\$ 50,223	\$ 8,245	\$ 58,468
Accrued liabilities	621,000	-	621,000
Deposits	-	60,874	60,874
Due to bondholders	<u>4,970,460</u>	<u>-</u>	<u>4,970,460</u>
Total Liabilities	<u>\$ 5,641,683</u>	<u>\$ 69,119</u>	<u>\$ 5,710,802</u>

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2004**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2004</u>
<u>City Agency</u>				
Assets:				
Cash and investments	\$ 165,889	\$ 4,366,480	\$ 4,463,250	\$ 69,119
Deposits	360,000	-	360,000	-
Total Assets	\$ 525,889	\$ 4,366,480	\$ 4,823,250	\$ 69,119
Liabilities:				
Accounts payable	\$ 8,746	\$ 4,701,813	\$ 4,702,314	\$ 8,245
Accrued liabilities	163,032	-	163,032	-
Deposits payable	354,111	993,655	1,286,892	60,874
Total Liabilities	\$ 525,889	\$ 5,695,468	\$ 6,152,238	\$ 69,119
<u>Community Facilities District</u>				
Assets:				
Cash and investments	\$ 1,404,287	\$ 3,228,073	\$ 3,140,404	\$ 1,491,956
Cash and investments held by fiscal agent	3,971,527	3,262,736	3,084,536	4,149,727
Total Assets	\$ 5,375,814	\$ 6,490,809	\$ 6,224,940	\$ 5,641,683
Liabilities:				
Accounts payable	\$ 52	\$ 163,743	\$ 113,572	\$ 50,223
Accrued liabilities	621,000	-	-	621,000
Due to bond holders	4,754,762	215,698	-	4,970,460
Total Liabilities	\$ 5,375,814	\$ 379,441	\$ 113,572	\$ 5,641,683
<u>All Agency Funds</u>				
Assets:				
Cash and investments	\$ 1,570,176	\$ 7,594,553	\$ 7,603,654	\$ 1,561,075
Cash and investments held by fiscal agent	3,971,527	3,262,736	3,084,536	4,149,727
Deposits	360,000	-	360,000	-
Total Assets	\$ 5,901,703	\$ 10,857,289	\$ 11,048,190	\$ 5,710,802
Liabilities:				
Accounts payable	\$ 8,798	\$ 4,865,556	\$ 4,815,886	\$ 58,468
Accrued liabilities	784,032	-	163,032	621,000
Deposits payable	354,111	993,655	1,286,892	60,874
Due to bond holders	4,754,762	215,698	-	4,970,460
Total Liabilities	\$ 5,901,703	\$ 6,074,909	\$ 6,265,810	\$ 5,710,802

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City of Hawthorne

General Governmental Expenditures by Function
Last Ten Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Development</u>	<u>Community Services</u>	<u>Debt Service</u>	<u>Other</u>	<u>Total</u>
1994-95	\$ 6,604,218	\$ 23,868,995	\$ 6,891,011	\$ 6,808,842	\$ 2,127,640	\$ 4,507,572	\$ 724,462	\$ 51,532,740
1995-96	5,367,490	25,090,543	4,599,646	6,895,088	2,368,682	3,247,059	2,110,542	49,679,050
1996-97	3,565,462	25,528,340	4,899,259	8,055,691	2,706,665	5,453,626	3,518,827	53,727,870
1997-98	2,762,392	25,962,006	6,285,503	9,877,605	2,022,716	7,946,262	4,384,359	59,240,843
1998-99	3,254,323	25,022,887	5,516,731	9,460,846	1,708,347	7,390,478	3,967,963	56,321,575
1999-00	1,910,510	26,088,984	4,603,749	29,517,635	3,410,882	7,690,666	3,513,690	76,736,116
2000-01	4,154,001	26,920,738	9,450,610	37,739,876	2,696,193	11,641,341	3,638,774	96,241,533
2001-02	3,967,243	31,137,761	8,415,863	37,864,510	2,910,841	5,656,809	3,477,733	93,430,760
2002-03	3,388,692	33,307,901	6,174,215	45,533,572	3,040,734	8,597,934	13,047,633	113,090,681
2003-04	4,552,771	32,552,968	6,682,375	38,088,294	2,768,006	10,744,585	22,548,189	117,937,188

City of Hawthorne

General Governmental Revenues by Source
Last Ten Years

Fiscal Year	Taxes	Licenses & Permits	From Other Agencies	Charges & Services	Fines & Forfeitures	Use of Money & Property	Other Revenues	Total
1994-95	\$ 22,737,730	\$ 604,371	\$ 18,528,760	\$ 2,984,537	\$ 912,691	\$ 520,374	\$ 2,493,678	\$ 48,782,141
1995-96	27,447,415	620,330	19,243,950	3,139,925	1,136,999	754,675	10,803,267	63,146,561
1996-97	24,875,188	612,542	24,334,768	3,200,124	1,359,227	1,055,898	787,471	56,225,218
1997-98	24,649,008	671,998	23,950,338	3,675,828	1,414,777	2,822,785	1,007,504	58,192,238
1998-99	23,158,943	945,281	24,683,878	2,904,444	1,440,488	1,151,511	837,357	55,121,902
1999-00	23,962,128	1,010,441	45,242,252	2,651,814	1,552,394	1,423,684	2,239,849	78,082,562
2000-01	25,803,666	1,445,098	51,739,976	3,397,111	1,470,269	7,812,912	2,382,478	94,051,510
2001-02	28,850,425	831,564	53,303,798	3,021,915	1,726,569	1,091,891	1,952,833	90,778,995
2002-03	28,815,332	1,722,793	61,713,530	2,913,384	2,049,516	812,555	639,988	98,667,098
2003-04	35,319,989	1,401,039	52,902,814	1,865,978	1,342,229	430,857	768,939	94,031,845

City of Hawthorne

Property Tax Levies and Collections
Last Ten Years

Fiscal Year	Total Tax Levy	Current Tax Collections	% of Current Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Levy	Outstanding Delinquent Taxes	Ratio of Outstanding Delinquent Taxes to Total Tax Levy
1994-95	\$ 2,613,314	\$ 2,478,993	94.86%	\$ (25,082)	\$ 2,453,911	93.90%	\$ 134,321	5.14%
1995-96	2,580,532	2,426,654	94.04%	(48,436)	2,378,218	92.16%	153,878	5.96%
1996-97	2,480,282	2,431,279	98.02%	21,650	2,452,929	98.90%	49,003	1.98%
1997-98	2,125,879	2,078,183	97.76%	49,003	2,127,186	100.06%	47,696	2.24%
1998-99	2,143,649	2,100,420	97.98%	21,463	2,121,883	98.98%	69,462	3.24%
1999-00	2,208,069	2,130,246	96.48%	54,769	2,185,015	98.96%	38,911	1.76%
2000-01	2,268,414	2,205,958	97.25%	59,807	2,265,765	99.88%	41,560	1.83%
2001-02	2,388,338	2,321,680	97.21%	41,560	2,363,240	98.95%	66,658	2.79%
2002-03	2,496,636	2,359,670	94.51%	188,554	2,548,224	102.07%	136,966	5.49%
2003-04	2,708,536	2,562,740	94.62%	7,567	2,570,307	94.90%	199,900	7.38%

City of Hawthorne

Assessed Value of Taxable Property
Last Ten Years

Fiscal Year	Secured Valuation	Exemptions	Net Secured	Unsecured Valuation	Total Assessed Valuations	Less RDA Increment	Outstanding Net Valuations
1994-95	\$ 3,073,173,335	\$ 19,881,661	\$ 3,053,291,674	\$ 184,803,479	\$ 3,238,095,153	\$ 772,411,015	\$ 2,465,684,138
1995-96	3,073,173,335	19,881,661	3,053,291,674	184,803,479	3,238,095,153	772,411,015	2,465,684,138
1996-97	2,950,552,074	53,303,300	2,897,248,774	190,747,047	3,087,995,821	710,820,067	2,377,175,754
1997-98	2,795,833,608	53,466,325	2,742,367,283	182,233,938	2,924,601,221	643,383,949	2,281,217,272
1998-99	2,652,122,799	25,706,715	2,626,416,084	193,999,418	2,820,415,502	649,627,765	2,170,787,737
1999-00	2,573,688,119	64,126,225	2,509,561,894	188,960,710	2,698,522,604	641,446,347	2,057,076,257
2000-01	2,771,306,499	21,574,090	2,749,732,409	207,086,968	2,956,819,377	674,296,526	2,282,522,851
2001-02	2,965,440,618	37,654,160	2,927,786,458	195,988,862	3,123,775,320	712,087,820	2,411,687,500
2002-03	3,098,329,681	37,270,696	3,061,058,985	167,137,078	3,228,196,063	734,670,432	2,493,525,631
2003-04	3,429,253,823	36,838,096	3,392,415,727	197,630,018	3,590,045,745	851,741,073	2,738,304,672

City of Hawthorne

Property Tax Rates
Direct and Overlapping Governments
Last Ten Years
(per \$100 of Assessed Value)

<u>Fiscal Year</u>	<u>General Levy</u>	<u>LA County General</u>	<u>School District</u>	<u>Control District</u>	<u>Flood Water District</u>	<u>Total</u>
1994-95	1.00000	0.00200	0.00000	0.00600	0.00890	1.01690
1995-96	1.00000	0.00181	0.00336	0.00096	0.00890	1.01503
1996-97	1.00000	0.00160	0.00000	0.00199	0.00890	1.01249
1997-98	1.00000	0.00158	0.07312	0.00219	0.00890	1.08579
1998-99	1.00000	0.00142	0.06720	0.00177	0.00890	1.07929
1999-00	1.00000	0.00131	0.07984	0.00155	0.00880	1.09151
2000-01	1.00000	0.00113	0.07980	0.00770	0.00107	1.08971
2001-02	1.00000	0.00103	0.09594	0.00670	0.00088	1.10456
2002-03	1.00000	0.00103	0.09594	0.00670	0.00088	1.10456
2003-04	1.00000	0.00093	0.10727	0.00580	0.00025	1.11425

City of Hawthorne

Special Assessments and Collections
Last Ten Years

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio Collected</u>	<u>Outstanding Delinquent Assessment</u>
1994-95	\$ 4,614,194	\$ 2,477,070	53.7%	\$ 3,238,590
1995-96	3,842,707	1,317,653	34.3%	5,763,644
1996-97	3,699,022	1,476,292	39.9%	7,986,353
1997-98	4,027,992	4,027,992	100.0%	2,222,709
1998-99	2,109,965	2,109,965	100.0%	2,222,709
1999-00	2,152,798	1,455,385	67.6%	697,410
2000-01	2,011,996	2,011,996	100.0%	-
2001-02	1,800,512	1,766,407	98.1%	34,108
2002-03	1,796,174	1,738,528	96.8%	57,646
2003-04	1,786,502	1,786,502	100.0%	-

City of Hawthorne

**Computation of Legal Debt Margin
June 30, 2004**

Total assessed value of all real and personal property	<u>\$ 3,626,883,841</u>
Legal debt margin limit- 15% of total assessed valuation	544,032,576
Amount of debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 544,032,576</u></u>

City of Hawthorne
Computation of Direct and Overlapping Debt
June 30, 2004

2003-04 Assessed Valuation:	\$ 3,626,883,841
Redevelopment Incremental Valuation:	526,119,754
Adjusted Assessed Valuation:	<u>\$ 3,100,764,087</u>

OVERLAPPING TAX AND ASSESSMENT DEBT:

	<u>% Applicable</u>	<u>Debt 6/30/04</u>
Los Angeles County	0.490 %	\$ 115,238
Los Angeles County Flood Control District	0.492	678,689
Metropolitan Water District	0.254	989,965
El Camino Community College District	5.422	3,453,814
Los Angeles Community College District	0.074	498,475
Los Angeles Unified School District	0.091	3,938,671
Centinela Valley Union High School District	30.357	17,588,846
Inglewood Unified School District	0.045	33,980
Hawthorne School District	96.456	22,801,304
Lawndale School District	18.995	4,237,785
Lennox School District	5.402	349,923
Wiseburn School District	6.250	2,912,086
City of Hawthorne Community Facilities District No. 1990-1	100.000	7,710,000
City of Hawthorne Community Facilities District No. 1999-1	100.000	15,340,000
City of Hawthorne Parking Authority Community Facilities District No. 1	100.000	8,545,000
Los Angeles County Regional Park and Open Space Assessment District	0.491	<u>1,847,191</u>
 TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		 <u>91,040,967</u>

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Los Angeles County General Fund Obligations	0.005	7,126,143
Los Angeles County Pension Obligations	0.491	6,485,385
Los Angeles County Superintendent of Schools Certificates of Participation	0.491	126,451
Los Angeles Unified School District Certificates of Participation	0.091	700,020
Inglewood Unified School District Certificates of Participation	0.045	1,400
Hawthorne School District Certificates of Participation	96.456	3,998,068
Lawndale School District Certificates of Participation	18.995	2,564,325
City of Hawthorne General Fund Obligations	100.000	12,720,000
Los Angeles County Sanitation District No. 5 Authority	5.965	<u>4,290,849</u>
 TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		 38,012,641

Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)		<u>342,006</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u>\$ 37,670,635</u>

GROSS COMBINED TOTAL DEBT	<u>\$ 129,053,608</u> (1)
NET COMBINED TOTAL DEBT	<u>\$ 128,711,602</u>

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2003-04 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 2.51%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$12,720,000) 0.41%
Gross Combined Total Debt 4.16%
Net Combined Total Debt 4.15%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: \$1,458

City of Hawthorne

Demographic Statistics
Last Ten Years

<u>Fiscal Year</u>	<u>Population</u>	<u>School Enrollment</u>
1993-94	\$ 74,341	\$ 7,650
1994-95	75,771	7,829
1995-96	76,713	8,051
1996-97	77,663	7,992
1997-98	76,713	8,543
1998-99	78,997	9,229
1999-00	80,459	9,445
2000-01	86,680	9,769
2001-02	86,680	9,881
2002-03	87,400	9,940
2003-04	88,180	10,210

City of Hawthorne

Property Value and Construction
Last Ten Years

<u>Fiscal Year</u>	<u>Total Number of Residential Permits</u>	<u>Total Number of Commercial Permits</u>	<u>Total Number of Permits</u>	<u>Total Valuation</u>	<u>Total Assessed Valuation</u>
1994-95	281	196	477	\$ 12,628,312	\$ 3,238,095,153
1995-96	499	321	820	18,373,358	3,087,995,821
1996-97	364	169	533	21,714,596	2,924,601,221
1997-98	350	213	563	12,082,092	2,820,415,507
1998-99	358	175	533	5,989,761	2,826,775,054
1999-00	281	170	451	10,933,337	2,698,522,604
2000-01	358	104	462	12,178,982	2,956,819,377
2001-02	375	89	464	8,833,222	3,123,775,320
2002-03	437	295	732	49,558,035	3,228,196,063
2003-04	454	183	637	24,032,515	3,590,045,745

City of Hawthorne

Principal Taxpayers' Assessed Valuation
June 30, 2004

Rank	Name	Property Count Number	Total Taxable Value	Percent of City-wide Taxable Value
1	Vought Aircraft Industries Inc	3	\$ 125,062,880	3.25
2	RS Hawthorne LLC	1	44,003,487	1.14
3	CNL Hotel	3	34,282,195	0.89
4	M A Gabae	12	31,110,422	0.81
5	Oceangate Property LLC	6	30,019,185	0.78
6	Costco Wholesale Corp	3	28,372,901	0.74
7	Hawthorne Gateway LP	4	27,504,086	0.71
8	La Caranada Ltd Partnership	2	23,534,332	0.61
9	Autonation USA Corp	5	20,376,208	0.53
10	Exchange El Segundo LLC	6	19,896,261	0.52
11	Anatasi Construction Co Inc	5	17,989,417	0.47
12	Fleet Capital Corp	1	16,000,000	0.42
13	St Paul Properties Inc	2	15,322,771	0.40
14	Boeing Co	1	14,078,015	0.37
15	Western Federal Credit Union	1	13,466,352	0.35
16	Exchange Van Ness LLC	1	13,344,577	0.35
17	Eternal City LP	2	13,242,709	0.34
18	Hawthorne USA Inc	2	12,803,023	0.33
19	HD Devel of Maryland Inc	2	12,481,169	0.32
20	Toys-R-Us Inc	2	12,384,458	0.32
		<u>64</u>	<u>\$ 525,274,448</u>	<u>13.65</u>

City of Hawthorne

**Miscellaneous Statistical Information
June 30, 2004**

Date of Incorporation	July 25, 1922
Form of Government	General Law Council/Manager
City Employees:	
Full-time	350
Part-time	177
Area in Square Miles	6
Infrastructure:	
Miles of Streets	89
Number of Street Lights	3,000
Police Protection:	
Number of Stations	2
Number of Sworn Personnel	99
County Fire Protection:	
Number of Stations	3
Number of Sworn Personnel	N/A (contracted with LA County)
Recreation and Community Services:	
Number of Parks	8
Park Acreage	51.75
Number of Community Centers	2
Education:	
Number of Elementary Schools	10
Number of Secondary Schools	5
Hospitals	1

