

**CITY OF HAWTHORNE, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2005**

CITY OF HAWTHORNE

JUNE 30, 2005

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December 24, 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, 2005. 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 88,790. The economic base is diversified, with an equal mix of residential, commercial and industrial development.

## **ACCOMPLISHMENTS, ECONOMIC CONDITION AND OUTLOOK**

During fiscal year 2004-05 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; the completion of the new City of Hawthorne police facility and increased spending on public safety.

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 now operating.

The private-public partnership that the city executed to develop the Hawthorne Municipal Airport has begun to show modernization and improvements at the airport.

During the prior 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. Residential development on one of the sites included on this transaction has begun and anticipates completion in 2006.

During fiscal year 2004-05 the City of Hawthorne experienced increases in property values, new businesses locating to the city, reduction in reported crimes and continues to attract developers who indicate considerable interest in developing various areas of the city.

Despite the brighter economic outlook for the city and the local region, the City of Hawthorne will need to continue to operate with its prudent and sound financial manner.

## **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, 2005, 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 2004</u>
Taxes	\$36,246,203	39.7%	\$926,214
Licenses and Permits	1,710,830	1.9%	309,791
Fines and Forfeitures	1,760,049	1.9%	417,820
Use of Money and Property	307,913	0.3%	(122,944)
Intergovernmental	47,720,210	52.2%	(5,182,604)
Charges for Services	2,116,506	2.3%	250,528
Other Revenue	1,520,956	1.7%	752,017
Total Revenues	\$91,382,667	100.0%	(\$2,649,178)

As the summary above indicates, during fiscal year 2004/05 there was a decrease in the revenues of \$2,649,178 (or 2.8%) from that of the prior fiscal year.

Major components of this decrease were attributable to revenues derived from the ***Intergovernmental*** sources and ***Use of Money & Property***. However, the decreases in these revenues sources were partially offset by increases in revenues derived from all other sources.

- ***Intergovernmental revenues*** decreased by \$5,182,604 (10%) 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 \$3.2 million; there were also reduced funding for housing programs and public safety operations. These reductions were partially offset by increased funds received from the State of California for Recreation & Community Service activities and the City's sale of State's Motor Vehicle In-Lieu Fees receivable (VLF receivable) in the bond market.

- Revenues derived by the City from **Taxes** increased by \$926,214 (2.6%) from that of the prior fiscal year. During the current year the City received increased Sales & Use Taxes, Incremental Property Taxes and Transient Occupancy Taxes. The increased revenues from these sources account for the overall increase in tax revenues.
- Revenues derived from other sources (**Other Revenues**) increased by \$752,017 (98%) from that of the prior fiscal year. This increase was attributable to revenues recorded in the City's Housing Authority Funds. The revenues in questions being amounts contributed by HOME funds for rental assistance for the Housing programs.
- **Fines & Forfeiture** revenues increased by \$417,280 (31%) from that of the prior fiscal year. These revenues were attributable to higher volume of citations issued by the Hawthorne Police Department and better collection of the issued citations.

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, 2005, 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 2004</u>
General Government	\$6,261,736	5.7%	\$1,708,965
Public Safety	39,257,884	35.0%	6,704,916
Public Works	9,061,371	8.0%	2,378,996
Community Development	33,109,490	29.5%	(4,978,804)
Parks and Recreation	3,609,284	3.2%	841,278
Capital Outlay	8,723,052	7.8%	(13,825,137)
Debt Service	12,119,328	10.8%	1,374,743
Total Expenditures	\$112,142,145	100.0%	\$(5,795,043)

As the summary above indicates, during fiscal year 2004/05 there was an overall decrease in citywide spending (expenditures) of \$5,795,043 (or 5%) from that of the prior fiscal year.

There were significant decreases in expenditures under the categories of **Capital Outlay** and **Community Development**. However, those decreases were somewhat offset by increased spending under all other expenditure categories.

- ◆ Expenditures for **Capital Outlay** decreased by \$13.8million from that of the previous year. This was because the prior year expenditures included over \$15million for the construction of the Hawthorne Police Facility. This project was completed during early part of the current fiscal year.

- ◆ Expenditures incurred for ***Community Development*** decreased by \$4.9million (or 13%) from that of the prior fiscal year. Decrease in available funding for the City's Job Training & Development Program (as noted earlier) accounted for majority of this decrease.
- ◆ Expenditures incurred for Public Safety increased by \$6.7million (or 20%) from that of the prior fiscal year. This increase was primarily attributable to increased operating costs associated with the Hawthorne police department. Availability of additional grant funds for public safety purposes also accounted for part of the increased spending on public safety.
- ◆ Expenditures incurred for ***Public Works*** increased by \$2.4million (or 35%) from that of the prior fiscal year. This increase was as a result of public works and improvement projects carried out throughout the City funded by various grant funds.

## **Capital Assets**

Capital Assets of the City are those used in the performance of general governmental functions. At June 30, 2005, the capital assets of the City totaled \$70,747,756 net of depreciation charges.

## **Proprietary Fund Operations**

The City's enterprise operations are comprised of Sewer 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 \$8,385,000. 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, members of the City Council and the City Manager for their leadership and support, without which the preparation of this report would not have been possible.

---

Jag Dylan Pathirana  
Director of Finance

## 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, 2005, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2005, 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 *Government Auditing Standards*, we have also issued our report dated October 21, 2005 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis 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, 2005



**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, 2005. 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 2004/05 by \$39.6 million (net assets). This is an increase of \$1.9 million from that of the prior fiscal year-end.
- During the year, the citywide revenues exceeded expenses by \$1.9 million. This was a decrease of \$12.6 million from that of during the prior fiscal year.
- At the end of the fiscal year the unrestricted funds available (all funds) are \$13million. Of this amount \$5.6million 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 11. 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 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 \$39.6million. Of this amount \$2.2million represents net assets of the City's business-type activities.

The combined net assets of the City increased by \$1.9 million (from \$37.7 million to \$39.6 million) from that of the prior fiscal year. Of this increase, \$2.4 million was attributable to the City's governmental activities and the balance (\$0.5million reduction) was attributable to the business-type activities.

**Table 1**  
**Net Assets (in million)**  
**As of June 30**

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
<b>Assets:</b>						
Current & Other Assets	\$ 66.1	\$ 39.6	\$ 0.1	\$ (0.3)	\$ 66.2	\$ 39.3
Capital Assets	63.6	70.7	3.1	3.0	66.7	73.7
<b>Total Assets</b>	129.7	110.3	3.2	2.7	132.9	113.0
<b>Liabilities:</b>						
Long-term Debt	58.5	65.0	0.1	0.1	58.6	65.1
Other Liabilities	35.8	7.9	0.4	0.4	36.2	8.3
<b>Total Liabilities</b>	94.3	72.9	0.5	0.5	94.8	73.4
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	10.0	15.9	3.2	3.0	13.2	18.9
Restricted Funds	10.3	7.7	-	-	10.3	7.7
Unrestricted Funds	15.1	13.8	(0.5)	(0.8)	14.6	13.0
<b>Total Net Assets</b>	\$ 35.4	\$ 37.4	\$ 2.7	\$ 2.2	\$ 38.1	\$ 39.6

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 \$107.1 million and \$0.9 million from the business-type activities. The total expenses incurred for all the governmental activities were \$104.8 million and \$1.4 million for the business-type activities.

**Table 2**  
**Changes in Net Assets (in million)**  
**Year Ended June 30**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
<b>Revenue</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 4.6	\$ 5.2	\$ 1.1	\$ 0.7	\$ 5.7	\$ 5.9
Operating Grants and Contribution	67.7	51.5	-	-	67.7	51.5
Capital Grants and Contribution	(0.4)	1.0	-	-	(0.4)	1.0
<b>General Revenues:</b>						
Property Taxes	10.4	10.3	-	-	10.4	10.3
Sales Taxes	9.6	10.7	-	-	9.6	10.7
Transient Occupancy Taxes	1.1	1.7	-	-	1.1	1.7
Franchise Taxes	2.4	2.8	0.4	-	2.8	2.8
Business License Taxes	4.5	4.3	-	-	4.5	4.3
Other Taxes	6.4	6.4	-	-	6.4	6.4
Motor Vehicle In-Lieu Fees	4.0	6.9	-	-	4.0	6.9
Use of Money and Property	4.6	5.1	-	-	4.6	5.1
Other Revenue	1.1	1.1	0.1	0.2	1.2	1.3
<b>Total Revenue</b>	<b>116.0</b>	<b>107.0</b>	<b>1.6</b>	<b>0.9</b>	<b>117.6</b>	<b>107.9</b>
<b>Expenses</b>						
General Government	12.5	13.1	-	-	12.5	13.1
Public Safety	29.0	34.6	-	-	29.0	34.6
Community Development	41.8	36.5	-	-	41.8	36.5
Parks and Recreation	3.0	3.9	-	-	3.0	3.9
Public Works	7.9	9.3	-	-	7.9	9.3
Interest in Long-term Debt	6.1	7.3	-	-	6.1	7.3
Airport	-	-	1.1	1.0	1.1	1.0
Solid Waste	-	-	0.6	-	0.6	-
Sewer and Storm Drain	-	-	0.7	0.4	0.7	0.4
<b>Total Expenses</b>	<b>100.3</b>	<b>104.7</b>	<b>2.4</b>	<b>1.4</b>	<b>102.7</b>	<b>106.1</b>
Excess (Deficiency) of Revenue Over (Under) Expenses Before Operating Transfers	15.7	2.3	(0.8)	(0.5)	14.9	1.8
Operating Transfers	(0.9)		0.9		-	-
Restatement of net assets	9.5		-		9.5	-
<b>Increase in Net Assets</b>	<b>\$ 24.3</b>	<b>\$ 2.3</b>	<b>\$ 0.1</b>	<b>\$ (0.5)</b>	<b>\$ 24.4</b>	<b>\$ 1.8</b>

## 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

	Total Cost of Services		Net Cost of Services	
	2004	2005	2004	2005
General Government	\$ 12.5	\$ 13.1	\$ 0.9	\$ 3.8
Public Safety	29.0	34.6	23.7	29.5
Community Development	41.8	36.5	(3.0)	4.2
Parks and Recreation	3.1	3.9	2.0	2.2
Public Works	7.9	9.3	(1.1)	(0.1)
Interest in Long-term Debt	6.1	7.3	6.0	7.4
Total	<u>\$ 100.4</u>	<u>\$ 104.7</u>	<u>\$ 28.5</u>	<u>\$ 47.0</u>

## THE CITY'S FUNDS

On pages 14 and 15, the governmental funds balance sheet is shown. The fund balances are shown for the General Fund, the Special Revenue Housing Authority Fund and South Bay Workforce Investment Board Fund, the Capital Project Redevelopment Agency Fund and the Debt Service Redevelopment Agency Fund. The combined deficit fund balance at the end of the fiscal year is \$33.2 million; this is an increase of \$16.2 million from that of the prior year combined deficit fund balance of \$17.0 million. The General fund balance is \$26.1 million at the year-end. This is a decrease of \$4.5 million from the prior year. Of the City's General fund balance, \$20.4 million is reserved 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 \$44.1 million were \$1.1 million more than the final budgeted revenues of \$42.9 million. The majority of this excess revenues were Tax revenues, which was budgeted to be \$27.6 million; however, the actual collected was \$28.8 million. There were other amounts in excess of the budget in Licenses & Permits as well as Intergovernmental revenues. These excess amounts were primarily offset by a shortfall in revenues derived from Use of Money & Property. The City budgeted \$1.1million, however, the actual received was \$0.08million.

The general fund actual ending expenditures of \$48.4 million were \$2.3 million less than the final budget of \$50.7million. The changes in the original budget compared to the final budget for the year were insignificant. The original expenditure budget was \$49.5million compared to the final budget of \$50.7million, a \$1.2 million increase.

Even though the City's general fund ending expenditures exceeded revenues by \$3.4 million for the fiscal year, the fund still has an unrestricted fund balance of \$5.6million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2005, the City had \$73.7million invested in a broad range of capital assets (Table 3). This amount represents a net increase (including additions and deductions) of \$5.8million from prior year.

**Table 3**  
**Capital Assets (in million)**  
**As of June 30**

	Governmental Activities		Business-type Activities		Total	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land	\$ 7.4	\$ 7.4	\$ -	\$ -	\$ 7.4	\$ 7.4
Investment in Joint Venture	1.0	1.0	-	-	1.0	1.0
Construction in Progress	29.8	-	-	-	29.8	-
Structures and Improvements	12.2	42.8	0.6	0.6	12.8	43.4
Machinery and Equipment	4.6	3.6	-	-	4.6	3.6
Infrastructure	9.7	15.9	2.6	2.4	12.3	18.3
<b>Total</b>	<u>\$ 64.7</u>	<u>\$ 70.7</u>	<u>\$ 3.2</u>	<u>\$ 3.0</u>	<u>\$ 67.9</u>	<u>\$ 73.7</u>

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

- Completion of the new Hawthorne Police Facility at a capitalized cost of \$32.4million. This was shown as construction-in-progress in prior years.
- Street construction and improvements, including major road improvement projects throughout the city totaling over \$6.6million.
- Purchase of various equipments and furniture totaling over \$2million.

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 \$65.2 million. This total includes bonds, leases, and loans and compensated absences. Over the course of the fiscal year the debt has increased by \$4.2 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 \$2million.
- The long-term liability for compensated absences increased by \$0.8million to \$8.3million.

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**

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Bonds						
Certificates of Participations	\$ 8.6	\$ 8.4	\$ -	\$ -	\$ 8.6	\$ 8.4
Tax Allocations	17.6	17.1	-	-	17.6	17.1
Capitalized Leases	0.9	0.8	-	-	0.9	0.8
Loans & Notes Payable	26.3	30.6	-	-	26.3	30.6
Compensated Absences	7.5	8.2	0.1	0.1	7.6	8.3
<b>Total</b>	<b>\$ 60.9</b>	<b>\$ 65.1</b>	<b>\$ 0.1</b>	<b>\$ 0.1</b>	<b>\$ 61.0</b>	<b>\$ 65.2</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the budget for fiscal year 2005-06, 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 2005 the City Council of the City of Hawthorne approved and adopted the operating budget for fiscal year 2005/06. 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 \$141 million for the fiscal year. Estimated citywide revenues are \$135 million. The \$6 million shortfall will be funded from accumulated reserves.

The General fund appropriations (included in above total) are \$48.7 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 \$48.7 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 budget for fiscal year 2005/06 has to a large extent been balanced with one-time revenues and operating transfers from other city funds.

Other major funds included in the citywide \$141 million budget include:

- \$23 million for the operations of the Job Training & Development Department. All the fundings for these appropriations are from a combination of Federal, State and local grants.
- \$10 million for various community development programs to be funded by Community Development Block Grant and HOME funds.
- \$13 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 2005-06 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 2005-06 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 126<sup>th</sup>. Street, Hawthorne, CA 90250.



**CITY OF HAWTHORNE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Cash and investments	\$ 11,388,338	\$ 45,122	\$ 11,433,460
Receivables:			
Accounts	4,542,679	87,352	4,630,031
Taxes	721,539	-	721,539
Contract and notes	6,566,767	-	6,566,767
Accrued interest	62,397	-	62,397
Internal balances	422,381	(422,381)	-
Prepaid costs	928,302	-	928,302
Inventories	93,740	-	93,740
Unamortized debt issuance costs	252,585	-	252,585
Deposits	125,000	-	125,000
Due from other governments	11,277,573	-	11,277,573
Land held for resale	1,103,920	-	1,103,920
Restricted assets:			
Cash with fiscal agent	2,103,592	-	2,103,592
Capital assets not being depreciated	8,424,052	37,314	8,461,366
Capital assets, net of depreciation	62,323,704	2,999,864	65,323,568
<b>Total Assets</b>	<b>\$ 110,336,569</b>	<b>\$ 2,747,271</b>	<b>\$ 113,083,840</b>
<b>Liabilities:</b>			
Accounts payable	\$ 3,782,791	\$ 344,530	\$ 4,127,321
Accrued liabilities	837,714	11,331	849,045
Accrued interest	1,039,825	-	1,039,825
Unearned revenue	240,569	-	240,569
Deposits payable	11,347	36,768	48,115
Due to other governments	1,985,724	83	1,985,807
Noncurrent liabilities:			
Due within one year	4,548,387	20,865	4,569,252
Due in more than one year	60,464,045	118,232	60,582,277
<b>Total Liabilities</b>	<b>72,910,402</b>	<b>531,809</b>	<b>73,442,211</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	15,919,510	3,037,178	18,956,688
Restricted for:			
Community development projects	1,397,743	-	1,397,743
Public safety	454,217	-	454,217
Capital projects	1,781,006	-	1,781,006
Debt service	4,034,932	-	4,034,932
Unrestricted	13,838,759	(821,716)	13,017,043
<b>Total Net Assets</b>	<b>\$ 37,426,167</b>	<b>\$ 2,215,462</b>	<b>\$ 39,641,629</b>

See Notes to Financial Statements

CITY OF HAWTHORNE

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

Functions/Programs:	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental Activities:</b>				
General government	\$ 13,103,043	\$ 64,752	\$ 9,250,990	\$ -
Public safety	34,573,958	2,175,198	2,713,173	126,225
Community development	36,445,219	263,674	31,964,361	-
Parks and recreation	3,893,919	482,426	1,167,497	-
Public works	9,330,529	2,210,788	6,436,596	850,500
Interest on long-term debt	7,359,701	-	-	-
<b>Total Governmental Activities</b>	<b>104,706,369</b>	<b>5,196,838</b>	<b>51,532,617</b>	<b>976,725</b>
<b>Business-Type Activities:</b>				
Airport	991,018	423,924	-	-
Sewer and storm drain	453,237	287,414	-	-
<b>Total Business-Type Activities</b>	<b>1,444,255</b>	<b>711,338</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 106,150,624</b>	<b>\$ 5,908,176</b>	<b>\$ 51,532,617</b>	<b>\$ 976,725</b>

**General Revenues:**

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Other taxes

Intergovernmental unrestricted:

Motor vehicle in lieu

Use of money and property

Gain on sale of assets

Other

**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**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (3,787,301)	\$ -	\$ (3,787,301)
(29,559,362)	-	(29,559,362)
(4,217,184)	-	(4,217,184)
(2,243,996)	-	(2,243,996)
167,355	-	167,355
(7,359,701)	-	(7,359,701)
<b>(47,000,189)</b>	<b>-</b>	<b>(47,000,189)</b>
-	(567,094)	(567,094)
-	(165,823)	(165,823)
-	<b>(732,917)</b>	<b>(732,917)</b>
<b>(47,000,189)</b>	<b>(732,917)</b>	<b>(47,733,106)</b>
10,312,324	-	10,312,324
1,737,700	-	1,737,700
10,676,488	-	10,676,488
2,795,601	-	2,795,601
4,254,008	-	4,254,008
6,432,636	-	6,432,636
6,937,843	-	6,937,843
5,085,936	240,593	5,326,529
6,727	-	6,727
1,153,373	18,795	1,172,168
<b>49,392,636</b>	<b>259,388</b>	<b>49,652,024</b>
2,392,447	(473,529)	1,918,918
35,026,969	2,688,991	37,715,960
6,751	-	6,751
<b>\$ 37,426,167</b>	<b>\$ 2,215,462</b>	<b>\$ 39,641,629</b>

**CITY OF HAWTHORNE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	General	Special Revenue Funds	
		Housing Authority	South Bay Workforce Invest. Board
<b>Assets:</b>			
Cash and investments	\$ 292,542	\$ -	\$ -
Receivables:			
Accounts	4,392,914	-	-
Accrued interest	25,518	2,292	-
Taxes	206,159	-	-
Contract and notes	-	-	-
Prepaid costs	-	928,302	-
Due from other governments	112,053	-	6,878,290
Due from other funds	3,183,004	-	-
Advances to other funds	53,086,040	-	-
Inventories	79,429	-	-
Land held for resale	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
<b>Total Assets</b>	<b>\$ 61,377,659</b>	<b>\$ 930,594</b>	<b>\$ 6,878,290</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 656,176	\$ 23,927	\$ 653,739
Accrued liabilities	644,478	13,866	128,019
Due to other funds	-	2,055,433	801,372
Deferred revenues	33,960,564	-	20,272,856
Advances from other funds	-	-	-
Unearned revenues	-	-	-
Deposits payable	-	-	-
Due to other governments	12,553	36,837	165,682
<b>Total Liabilities</b>	<b>35,273,771</b>	<b>2,130,063</b>	<b>22,021,668</b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	11,415	-	-
Reserved for inventory	79,429	-	-
Reserved for prepaid costs	-	928,302	-
Reserve for compensated absences	-	-	41,224
Reserved for land held for resale	-	-	-
Reserved for advances to other funds	20,399,860	-	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Undesignated	5,613,184	(2,127,771)	(15,184,602)
<b>Total Fund Balances</b>	<b>26,103,888</b>	<b>(1,199,469)</b>	<b>(15,143,378)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 61,377,659</b>	<b>\$ 930,594</b>	<b>\$ 6,878,290</b>

See Notes to Financial Statements

Exhibit C

<u>Capital Projects Funds Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,273,506	\$ 5,621,044	\$ 9,187,092
-	149,765	4,542,679
16,908	17,679	62,397
37,062	478,318	721,539
-	6,256,767	6,256,767
-	-	928,302
-	4,287,230	11,277,573
-	2,055,433	5,238,437
-	-	53,086,040
-	-	79,429
1,103,920	-	1,103,920
-	2,103,592	2,103,592
<b>\$ 4,431,396</b>	<b>\$ 20,969,828</b>	<b>\$ 94,587,767</b>
\$ 202,032	\$ 1,942,211	\$ 3,478,085
3,378	38,944	828,685
-	2,313,605	5,170,410
-	8,796,683	63,030,103
53,086,040	-	53,086,040
-	240,569	240,569
1,300	10,047	11,347
-	1,770,652	1,985,724
<b>53,292,750</b>	<b>15,112,711</b>	<b>127,830,963</b>
-	309,406	320,821
-	-	79,429
-	-	928,302
-	-	41,224
1,103,920	-	1,103,920
-	-	20,399,860
-	89,445	89,445
-	383,509	383,509
-	5,074,757	5,074,757
(49,965,274)	-	(61,664,463)
<b>(48,861,354)</b>	<b>5,857,117</b>	<b>(33,243,196)</b>
<b>\$ 4,431,396</b>	<b>\$ 20,969,828</b>	<b>\$ 94,587,767</b>

## CITY OF HAWTHORNE

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

Fund balances of governmental funds	\$ (33,243,196)
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.	69,531,036
Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:	
Debt issuance costs on bonds issued	259,232
Amortization over life of new bonds through end of fiscal year	(6,647)
Long-term debt and compensated absences have not been included in the governmental fund activity:	
Notes payable	(501,351)
Lease payable	(696,356)
Lease payable - police facility	(19,579,595)
Loan payable - Section 108	(7,700,000)
Certificates of participation payable	(8,385,000)
Tax allocation bond payable	(17,001,809)
Compensated absences	(8,178,320)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(1,039,825)
Grant revenue not received within 90 days are recorded as deferred revenue in the governmental funds. These revenues are included as intergovernmental revenue in the governmental fund activity.	63,030,103
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.	937,895
<b>Net assets of governmental activities</b>	<b><u>\$ 37,426,167</u></b>

**See Notes to Financial Statements**

CITY OF HAWTHORNE

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Housing Authority</u>	<u>South Bay Workforce Invest. Board</u>
<b>Revenues:</b>			
Taxes	\$ 28,824,715	\$ -	\$ -
Licenses and permits	1,447,156	-	-
Intergovernmental	8,836,507	10,884,277	14,827,841
Charges for services	1,220,141	-	-
Use of money and property	77,529	10,184	-
Fines and forfeitures	1,448,174	-	-
Miscellaneous	273,079	768,541	-
<b>Total Revenues</b>	<b>42,127,301</b>	<b>11,663,002</b>	<b>14,827,841</b>
<b>Expenditures:</b>			
Current:			
General government	9,957,215	-	-
Public safety	23,404,770	-	-
Community development	1,192,624	12,898,833	14,751,931
Parks and recreation	3,609,284	-	-
Public works	1,432,204	-	-
Capital outlay	801,983	74,349	34,686
Debt service:			
Principal retirement	232,713	-	-
Interest and fiscal charges	20,323	-	-
Cost of issuance	-	-	-
Payment to refunded bond escrow agent	-	-	-
Pass-through agreement payments	-	-	-
<b>Total Expenditures</b>	<b>40,651,116</b>	<b>12,973,182</b>	<b>14,786,617</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,476,185	(1,310,180)	41,224
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,500,000	-	-
Transfers out	(7,735,467)	-	-
Proceeds from capital leases	457,448	-	-
Long term debt issued	-	-	-
Discount on long term debt issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(5,778,019)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	\$ (4,301,834)	\$ (1,310,180)	\$ 41,224
<b>Fund Balances</b>			
Beginning of year, as originally reported	\$ 30,623,450	\$ 110,711	\$ (15,184,602)
Restatements	(217,728)	-	-
Beginning of year, as restated	30,405,722	110,711	(15,184,602)
Net change in fund balances	(4,301,834)	(1,310,180)	41,224
<b>End of Year</b>	<b>\$ 26,103,888</b>	<b>\$ (1,199,469)</b>	<b>\$ (15,143,378)</b>

See Notes to Financial Statements

Exhibit E

<b>Capital Projects Funds Community Redevelopment Agency</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,254,514	\$ 6,166,974	\$ 36,246,203
-	263,674	1,710,830
-	13,171,585	47,720,210
-	896,365	2,116,506
108,469	111,731	307,913
-	311,875	1,760,049
550	478,786	1,520,956
<b>1,363,533</b>	<b>21,400,990</b>	<b>91,382,667</b>
2,488,904	138,428	12,584,547
-	9,530,303	32,935,073
831,214	3,434,888	33,109,490
-	-	3,609,284
-	7,629,167	9,061,371
-	7,812,034	8,723,052
124,266	1,210,405	1,567,384
4,824,043	2,353,919	7,198,285
-	259,232	259,232
-	435,013	435,013
278,518	2,380,896	2,659,414
<b>8,546,945</b>	<b>35,184,285</b>	<b>112,142,145</b>
<u>(7,183,412)</u>	<u>(13,783,295)</u>	<u>(20,759,478)</u>
2,448,000	9,724,130	13,672,130
(357,530)	(4,079,133)	(12,172,130)
-	-	457,448
-	6,225,000	6,225,000
-	(51,544)	(51,544)
-	(3,877,323)	(3,877,323)
<b>2,090,470</b>	<b>7,941,130</b>	<b>4,253,581</b>
<u>\$ (5,092,942)</u>	<u>\$ (5,842,165)</u>	<u>\$ (16,505,897)</u>
\$ (43,768,412)	\$ 11,174,803	\$ (17,044,050)
-	524,479	306,751
(43,768,412)	11,699,282	(16,737,299)
(5,092,942)	(5,842,165)	(16,505,897)
<b>\$ (48,861,354)</b>	<b>\$ 5,857,117</b>	<b>\$ (33,243,196)</b>



## CITY OF HAWTHORNE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds \$ (16,505,897)

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. 6,381,504

The issuance of long-term debt provides current financial resource to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. (509,289)

Accrued interest for long-term debt. This is the net change in accrued interest for the current period. (144,079)

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. (765,390)

The revenues not received within 90 days are deferred in the governmental funds. These revenues are fully recognized in the governmental activities. 10,938,096

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. 4,778,053

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. (1,780,551)

**Change in net assets of governmental activities \$ 2,392,447**

**CITY OF HAWTHORNE**  
**BUDGETARY COMPARISON STATEMENT**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1 as restated	\$ 30,405,722	\$ 30,405,722	\$ 30,405,722	\$ -
<b>Resources (Inflows):</b>				
Taxes	28,665,000	27,569,490	28,824,715	1,255,225
Licenses and permits	1,147,000	1,172,000	1,447,156	275,156
Intergovernmental	7,403,125	8,601,566	8,836,507	234,941
Charges for services	1,271,500	1,318,600	1,220,141	(98,459)
Use of money and property	370,000	1,120,000	77,529	(1,042,471)
Fines and forfeitures	2,650,000	1,400,000	1,448,174	48,174
Other	540,000	265,000	273,079	8,079
Proceeds from capital leases	-	-	457,448	457,448
Transfers in	-	1,500,000	1,500,000	-
<b>Amounts Available for Appropriation</b>	<b>72,452,347</b>	<b>73,352,378</b>	<b>74,490,471</b>	<b>1,138,093</b>
<b>Charges to Appropriation (Outflow):</b>				
General government				
Mayor and city council	9,393,349	9,542,254	7,588,991	1,953,263
City clerk	159,332	136,792	133,758	3,034
City manager	463,754	494,914	526,615	(31,701)
City treasurer	21,459	20,909	20,940	(31)
City attorney	584,065	561,995	575,830	(13,835)
Finance	438,695	364,545	339,260	25,285
Personnel	154,358	171,133	163,919	7,214
Licensing and code enforcement	623,208	614,129	607,902	6,227
Public safety				
Police	22,942,445	23,325,835	23,404,770	(78,935)
Public Works				
Planning	497,923	517,548	512,929	4,619
Building and safety	705,683	682,283	679,695	2,588
Parks and recreation	4,704,733	4,349,823	3,609,284	740,539
Public works	1,392,068	1,437,128	1,432,204	4,924
Capital outlay	20,000	558,670	801,983	(243,313)
Debt service:				
Interest and fiscal charges	20,323	20,323	20,323	-
Principal payment	195,298	197,898	232,713	(34,815)
Transfers out	7,173,191	7,734,841	7,735,467	(626)
<b>Total Charges to Appropriations</b>	<b>49,489,884</b>	<b>50,731,020</b>	<b>48,386,583</b>	<b>2,344,437</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 22,962,463</b>	<b>\$ 22,621,358</b>	<b>\$ 26,103,888</b>	<b>\$ 3,482,530</b>

See Notes to Financial Statements

CITY OF HAWTHORNE  
 BUDGETARY COMPARISON STATEMENT  
 HOUSING AUTHORITY  
 YEAR ENDED JUNE 30, 2005

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 110,711	\$ 110,711	\$ 110,711	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	11,571,896	11,571,896	10,884,277	(687,619)
Use of money and property	10,000	10,000	10,184	184
Other	-	768,541	768,541	-
<b>Amounts Available for Appropriation</b>	<b>11,692,607</b>	<b>12,461,148</b>	<b>11,773,713</b>	<b>(687,435)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	12,204,167	12,204,167	12,898,833	(694,666)
Capital outlay	27,407	27,407	74,349	(46,942)
<b>Total Charges to Appropriations</b>	<b>12,231,574</b>	<b>12,231,574</b>	<b>12,973,182</b>	<b>(741,608)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (538,967)</b>	<b>\$ 229,574</b>	<b>\$ (1,199,469)</b>	<b>\$ (1,429,043)</b>

See Notes to Financial Statements

## CITY OF HAWTHORNE

Exhibit I

**BUDGETARY COMPARISON STATEMENT  
SOUTH BAY WORKFORCE INVESTMENT BOARD  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (15,184,602)	\$ (15,184,602)	\$ (15,184,602)	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	24,102,663	24,102,663	14,827,841	(9,274,822)
<b>Amounts Available for Appropriation</b>	<b>8,918,061</b>	<b>8,918,061</b>	<b>(356,761)</b>	<b>(9,274,822)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	24,042,663	24,053,973	14,751,931	9,302,042
Capital outlay	60,000	52,927	34,686	18,241
<b>Total Charges to Appropriations</b>	<b>24,102,663</b>	<b>24,106,900</b>	<b>14,786,617</b>	<b>9,320,283</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (15,184,602)</b>	<b>\$ (15,188,839)</b>	<b>\$ (15,143,378)</b>	<b>\$ 45,461</b>

See Notes to Financial Statements

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005**

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
<b>Assets:</b>		
Current:		
Cash and investments	\$ 45,122	\$ 2,201,246
Receivables:		
Accounts	87,352	-
Contracts and loans	-	310,000
Inventories	-	14,311
Deposits	-	125,000
<b>Total Current Assets</b>	<b>132,474</b>	<b>2,650,557</b>
Noncurrent:		
Capital assets - net of accumulated depreciation	3,037,178	1,216,720
<b>Total Noncurrent Assets</b>	<b>3,037,178</b>	<b>1,216,720</b>
<b>Total Assets</b>	<b>\$ 3,169,652</b>	<b>\$ 3,867,277</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Current:		
Accounts payable	\$ 344,530	\$ 304,706
Accrued payroll payable	11,331	9,029
Deposits payable	36,768	-
Due to other governments	83	-
Due to other funds	68,027	-
Leases payable	-	54,241
<b>Total Current Liabilities</b>	<b>460,739</b>	<b>367,976</b>
Noncurrent:		
Claims and judgments	-	2,808,437
Compensated absences	139,097	50,816
Leases payable	-	56,507
<b>Total Noncurrent Liabilities</b>	<b>139,097</b>	<b>2,915,760</b>
<b>Total Liabilities</b>	<b>599,836</b>	<b>3,283,736</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	3,037,178	1,105,972
Unrestricted	(467,362)	(522,431)
<b>Total Net Assets</b>	<b>2,569,816</b>	<b>583,541</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,169,652</b>	<b>\$ 3,867,277</b>
<b>Reconciliation of Net Assets to the Statement of Net Assets</b>		
Net assets per Statement of Net Assets - Proprietary Funds	\$ 2,569,816	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	(365,881)	
Adjustments to reflect the consolidation of current year internal service funds activities related to enterprise funds	11,527	
<b>Net Assets per Statement of Net Assets</b>	<b>\$ 2,215,462</b>	

**CITY OF HAWTHORNE**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	<b>Nonmajor Enterprise Funds</b>	<b>Governmental Activities- Internal Service Funds</b>
<b>Operating Revenues:</b>		
Sales and service charges	\$ 711,338	\$ 4,180,692
Miscellaneous	18,795	239,530
<b>Total Operating Revenues</b>	<b>730,133</b>	<b>4,420,222</b>
<b>Operating Expenses:</b>		
Source of supply	119,530	537,293
Cost of sales and services	85,267	-
Contractual services	-	3,220,520
Administration and general	1,062,157	405,566
Depreciation	188,828	645,342
<b>Total Operating Expenses</b>	<b>1,455,782</b>	<b>4,808,721</b>
Operating Income (Loss)	(725,649)	(388,499)
<b>Nonoperating Revenues (Expenses):</b>		
Interest revenue	240,593	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>240,593</b>	<b>-</b>
Income (Loss) Before Contributions and Transfers	(485,056)	(388,499)
Contribution from City	-	119,475
Transfers out	-	(1,500,000)
Changes in Net Assets	(485,056)	(1,769,024)
<b>Net Assets:</b>		
Beginning of Fiscal Year	3,054,872	2,352,565
<b>End of Fiscal Year</b>	<b>\$ 2,569,816</b>	<b>\$ 583,541</b>
<b>Reconciliation of Changes in Net Assets to the Statement of Activities</b>		
Changes in Net Assets, Enterprise Funds	\$ (485,056)	
Adjustment to reflect the consolidation of the internal service activities related to enterprise funds	11,527	
<b>Changes in Net Assets of Business-Type Activities</b>	<b>\$ (473,529)</b>	

**CITY OF HAWTHORNE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	<b>Nonmajor Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers and users	\$ 814,196	\$ 4,426,552
Cash paid to supplies for good and services	(214,843)	(3,482,901)
Cash paid to employees for services	(1,064,744)	(545,892)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(465,391)</b>	<b>397,759</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash transfer to other funds	-	(1,500,000)
Due to other funds	68,027	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>68,027</b>	<b>(1,500,000)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capital contributions	-	119,475
Purchases of capital assets	(5,432)	(296,573)
Principal paid on capital debt	-	(298,071)
Proceeds from sales of capital assets	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(5,432)</b>	<b>(475,169)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	240,593	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>240,593</b>	<b>-</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(162,203)	(1,577,410)
Cash and Cash Equivalents at Beginning of Year	207,325	3,778,656
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 45,122</b>	<b>\$ 2,201,246</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ (725,649)	\$ (388,499)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	188,828	645,342
(Increase) decrease in accounts receivable	84,063	6,330
Increase (decrease) in accounts payable	(4,306)	52,126
Increase (decrease) in accrued liabilities	(12,745)	-
Increase (decrease) in deposits payable	(5,740)	(19,268)
Increase (decrease) in compensated absences payable	10,158	(121,058)
Increase (decrease) in claims and judgments payable	-	222,786
<b>Total Adjustments</b>	<b>260,258</b>	<b>786,258</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (465,391)</b>	<b>\$ 397,759</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
There were no non-cash activities during the year.		

See Notes to Financial Statements

CITY OF HAWTHORNE  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

<b>Assets:</b>	
Cash and investments	\$ 2,271,197
Restricted assets:	
Cash with fiscal agent	<u>7,053,741</u>
<b>Total Assets</b>	<b><u>\$ 9,324,938</u></b>
<b>Liabilities:</b>	
Accounts payable	\$ 84,754
Accrued liabilities	621,000
Deposits	576,461
Due to bondholders	<u>8,042,723</u>
<b>Total Liabilities</b>	<b><u>\$ 9,324,938</u></b>

See Notes to Financial Statements



**CITY OF HAWTHORNE**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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 were not prepared for the Parking Authority.

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. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Measurement focus is commonly used to describe the types of transactions and events that are reported in a fund's operating statement. Once it has been determined whether a fund is to measure changes in total economic resources or changes in current financial resources, the next issue to be addressed is the timing of the recognition of transactions and events. The technical term that describes the criteria governing the timing of the recognition of transactions and events is basis of accounting.

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

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

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's fiduciary fund financial statements only report agency funds. Agency funds are used to account for situations where the government's role is purely custodial. All assets reported in an agency fund are offset by a liability to the party on whose behalf they are held. Agency funds have no measurement focus.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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)**

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.

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.

Additionally, the City reports the following fund types:

Enterprise Funds report activities for which a fee is charged to external users for goods or services.

Internal Service Funds account for financial transactions related to repair, replacement and maintenance of City-owned equipment and the City's self-insurance programs. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

The Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations or other governments.

**d. 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.

**Investments**

Investments for the City as well as for its component units are reported at fair value, which is the quoted market price at June 30, 2005. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

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

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

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

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

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

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

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

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

**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.

**Property Tax Revenue**

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.

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

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

**f. Reconciliation of Government-Wide and Fund Financial Statements**

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

The governmental fund statement of revenues, expenditures and changes in fund balances include a reconciliation between net changes in fund balances - of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$6,381,504 difference are as follows:

Capital outlay	\$ 10,125,860
Depreciation expense	<u>(3,744,356)</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>\$ 6,381,504</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds". Neither transaction, however, has any 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 detail of this (\$509,289) difference is as follows:

Debt issued or incurred:	
Refunding bonds	\$ (4,225,000)
Loans payable	(2,000,000)
Capital leases	(457,448)
Interest expense on bond loss on defeasance	(9,368)
Principal repayments:	
Tax allocation bonds	450,000
Notes payable	124,266
COP bonds payable	290,000
Loans payable	470,405
Capital leases payable	232,713
Bond discount	50,222
Debt issuance costs	252,585
Payment to refunded bond escrow agent	<u>4,312,336</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>\$ (509,289)</u>

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

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

Another element of that reconciliation states "the net effect of accrued interest for long-term debt". The details of this (\$144,079) difference are as follows:

Net accrued interest for the current year:	
Tax allocation bonds current year accrued interest	\$ (334,714)
COP bonds current year accrued interest	(211,874)
Tax allocation bonds prior year accrued interest	293,792
COP bonds prior year accrued interest	218,254
Loans payable - Police Facility current year accrued interest	(332,037)
Loans payable - Section 108 current year accrued interest	(159,062)
Capital leases payable current year accrued interest	(2,138)
Loans payable - Police Facility prior year accrued interest	347,287
Loans payable - Section 108 prior year accrued interest	33,635
Capital leases payable prior 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>\$ (144,079)</u>

**II. STEWARDSHIP**

**Note 2: Stewardship, Compliance and Accountability**

**a. 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.

**b. Encumbrances**

Encumbrances are estimations of costs related to unperformed contracts for goods and services. 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.

**c. Budget Basis of Accounting**

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles. For fiscal year 2004-2005, the following funds had no adopted budgets:

- AB 2928
- Safe Route to Schools Grant
- California Office of Traffic Safety Grant



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

**Note 2: Stewardship, Compliance and Accountability (Continued)**

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

<u>Fund</u>	<u>Amount</u>
Major Governmental Funds:	
Housing Authority	\$ (1,199,469)
South Bay Workforce Investment Board	(15,143,378)
Community Redevelopment Agency	(48,861,354)
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Gas Tax	(220,466)
Anti Drug Abuse Grant	(1,293,424)
High Intensity Drug Trafficking	(1,310,235)
California Used Oil Recycling	(1,950)
California Law Enforcement Equipment Grant	(49)
Home Grant	(24,482)
Internal Service Funds:	
Insurance Reserve	(1,124,613)

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

e. 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 manager	\$ 526,615	\$ 494,914	\$ 31,701
City treasurer	20,940	20,909	31
City attorney	575,830	561,995	13,835
Police	23,404,770	23,325,835	78,935
Capital outlay	801,983	558,670	243,313
Housing Authority:			
Community development	12,898,833	12,204,167	694,666
Capital outlay	74,349	27,407	46,942

**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:			
Gas Tax:			
Public works	1,028,548	952,928	75,620
Street:			
Public works	1,530,913	1,450,073	80,840
Capital outlay	35,346	30,000	5,346
Anti Drug Abuse Grant			
Capital outlay	111,540	83,303	28,237
High Intensity Drug Trafficking:			
Public safety	4,742,638	4,719,535	23,103
Capital outlay	77,812	43,118	34,694
Proposition C:			
Public works	2,874,502	2,693,213	181,289
Local Law Enforcement Block Grant:			
Capital outlay	149,566	96,714	52,852
California Law Enforcement Equipment Grant:			
Capital outlay	126,274	121,366	4,908
Capital Projects Funds:			
Police Facility			
Public Safety	2,694,024	771,344	1,922,680

**III. DETAIL NOTES ON FUNDS AND ACCOUNT GROUPS**

**Note 3: Cash and Investments**

As of June 30, 2005 cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 13,491,930
Business-type activities	45,122
Fiduciary funds	9,324,938
Total Cash and Investments	<u>\$ 22,861,990</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.

**Deposits**

At June 30, 2005 the carrying amount of the City's deposits was \$2,586,533 and the bank balance was \$6,328,765. The \$3,742,232 difference represents outstanding checks and other reconciling items.

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

**Note 3: Cash and Investments (Continued)**

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

**Investments**

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- Bankers Acceptances
- U.S. Treasury Issues
- Certificate of Deposit
- Negotiable Certificate of Deposit
- Commercial Paper
- Local Agency Investment Fund (State Pool) Demand Deposits
- Repurchase Agreements

**Investments Authorized by Debt Agreements**

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

**Investments in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

**GASB Statement No. 31**

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.

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

**Note 3: Cash and Investments (Continued)**

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, 2005, the City's investment in commercial paper consisted of investments with General Electric Corporation. At June 30, 2005 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, 2005 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, 2005 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 on the percentage that the City can invest in certain types of investments. In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2005, the City has investments with Investment Agreements which exceeds 5% of the total investments. 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 has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2005 the City had the following investments and original maturities:

	Remaining Investment Maturities			
	6 Months or Less	6 Months to 1 Year	More Than 5 Years	Fair Value
Local Agency Investment Fund	\$ 10,118,124	\$ -	\$ -	\$ 10,118,124
Federal Home Loan Note	-	1,000,000	-	1,000,000
Cash with Fiscal Agents:				
Money Market Mutual Funds	4,849,079	-	-	4,849,079
Investment agreement	-	-	3,687,254	3,687,254
Commercial Paper	621,000	-	-	621,000
	<u>\$ 15,588,203</u>	<u>\$ 1,000,000</u>	<u>\$ 3,687,254</u>	<u>\$ 20,275,457</u>

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

**Note 3: Cash and Investments (Continued)**

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 2004-2005, the City was assessed \$2,482,657, 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, 2004, SBRPCA's audited financial information is as follows\*:

Authority retained earnings, beginning of year		\$ 897,817
Total revenues	\$ 5,867,429	
Total expenses	<u>(5,382,547)</u>	
Net Increase in Authority Retained Earnings		<u>484,882</u>
Authority Retained Earnings, End of Year		<u><u>\$ 1,382,699</u></u>
Cash and investments	\$ 1,681,282	
Capital assets	8,888,958	
Other assets	<u>375,234</u>	
Total Assets		<u><u>\$ 10,945,474</u></u>
Liabilities	\$ 9,562,775	
Authority equity	<u>1,382,699</u>	
Total Liabilities and Authority Equity		<u><u>\$ 10,945,474</u></u>

\* Most Recent Information Available

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.

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

**Note 3: Cash and Investments (Continued)**

**Note 5: Changes in Capital Assets**

Capital assets activity for the year ended June 30, 2005 follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,388,529	\$ -	\$ -	\$ 7,388,529
Investment in joint venture	1,035,523	-	-	1,035,523
Construction-in-progress	29,813,175	2,594,229	(32,407,404)	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>38,237,227</b>	<b>2,594,229</b>	<b>(32,407,404)</b>	<b>8,424,052</b>
Capital assets, being depreciated:				
Structures and improvements	13,791,025	32,466,837	-	46,257,862
Machinery and equipment:				
City	15,338,943	896,932	-	16,235,875
Equipment Replacement	4,616,403	310,653	(54,265)	4,872,791
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	9,984,874	6,575,266	-	16,560,140
<b>Total Capital Assets, Being Depreciated</b>	<b>60,090,799</b>	<b>40,249,688</b>	<b>(54,265)</b>	<b>100,286,222</b>
Less accumulated depreciation:				
Structures and improvements	7,044,859	1,513,808	-	8,558,667
Machinery and equipment:				
City	12,374,752	1,481,188	-	13,855,940
Equipment Replacement	3,050,914	645,342	(40,185)	3,656,071
Parking authority - structures	10,858,107	408,989	-	11,267,096
Infrastructure	284,373	340,371	-	624,744
<b>Total Accumulated Depreciation</b>	<b>33,613,005</b>	<b>4,389,698</b>	<b>(40,185)</b>	<b>37,962,518</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>26,477,794</b>	<b>35,859,990</b>	<b>(14,080)</b>	<b>62,323,704</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 64,715,021</b>	<b>\$ 38,454,219</b>	<b>\$ (32,421,484)</b>	<b>\$ 70,747,756</b>

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

**Note 5: Changes in Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 37,314	\$ -	\$ -	\$ 37,314
Total Capital Assets, Not Being Depreciated	<u>37,314</u>	<u>-</u>	<u>-</u>	<u>37,314</u>
Capital assets, being depreciated:				
Structures and improvements	1,612,615			1,612,615
Machinery and equipment	22,750	-	-	22,750
Infrastructure	14,001,156	5,432	-	14,006,588
Total Capital Assets, Being Depreciated	<u>15,636,521</u>	<u>5,432</u>	<u>-</u>	<u>15,641,953</u>
Less accumulated depreciation:				
Structures and improvements	1,001,337	70,639		1,071,976
Machinery and equipment	16,190	1,491	-	17,681
Infrastructure	11,435,734	116,698	-	11,552,432
Total Accumulated Depreciation	<u>12,453,261</u>	<u>188,828</u>	<u>-</u>	<u>12,642,089</u>
Total Capital Assets, Being Depreciated, Net	<u>3,183,260</u>	<u>(183,396)</u>	<u>-</u>	<u>2,999,864</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,220,574</u>	<u>\$ (183,396)</u>	<u>\$ -</u>	<u>\$ 3,037,178</u>

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

Governmental Activities:	
General government	\$ 1,894,926
Public safety	1,017,747
Public work	390,064
Community development	287,551
Parks and recreation	154,068
Internal service fund - equipment replacement	645,342
Total Governmental Activities	<u>\$ 4,389,698</u>
Business-Type Activities:	
Airport	\$ 164,895
Sewer and storm drain	23,933
Total Business-Type Activities	<u>\$ 188,828</u>

**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.

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

**Note 6: Retirement Plans (Continued)**

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 15.902% for miscellaneous employees and 25.334% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2005 the City's annual pension cost of \$4,433,867 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, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: a) 7.75% 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 3.00%. 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
6/30/2003	\$ -	100%	\$ -
6/30/2004	\$ 1,052	100%	\$ -
6/30/2005	\$ 4,434	100%	\$ -

Schedule of Funding Progress for PERS (Most Recent Available)  
(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
6/30/2001						
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>
6/30/2003						
Miscellaneous	\$ 69,245	\$ 84,099	\$ 14,854	82.3 %	\$ 16,653	89.2 %
Safety	98,510	109,252	10,742	90.2 %	7,643	140.5 %
Total	<u>\$ 167,755</u>	<u>\$ 193,351</u>	<u>\$ 25,596</u>	<u>86.8 %</u>	<u>\$ 24,296</u>	<u>105.4 %</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, 2005:

	Outstanding July 1, 2004	Defeased	Additions	Deletions	Outstanding June 30, 2005	Due Within One Year
<b>Governmental Funds:</b>						
City:						
Certificates of participation	\$ 8,675,000	\$ -	\$ -	\$ 290,000	\$ 8,385,000	\$ 300,000
Compensated absences	7,412,927	-	2,631,772	1,866,379	8,178,320	1,226,748
Lease payable	471,621	-	457,448	232,713	696,356	215,175
Lease payable - police facility	18,000,000	-	2,000,000	420,405	19,579,595	437,515
Section 108 loan payable	7,750,000	-	-	50,000	7,700,000	265,000
<b>Total City</b>	<b>42,309,548</b>	<b>-</b>	<b>5,089,220</b>	<b>2,859,497</b>	<b>44,539,271</b>	<b>2,444,438</b>
Internal Service Funds:						
Claims and judgments	2,585,651	-	1,633,975	1,411,189	2,808,437	1,500,000
Compensated absences	171,874	-	14,978	136,036	50,816	7,622
Lease payable	408,822	-	168,902	466,976	110,748	54,241
<b>Total Internal Service Funds</b>	<b>3,166,347</b>	<b>-</b>	<b>1,817,855</b>	<b>2,014,201</b>	<b>2,970,001</b>	<b>1,561,863</b>
Redevelopment Agency:						
Tax allocation refunding bonds	17,580,000	(4,125,000)	4,225,000	450,000	17,230,000	430,000
Notes payable	625,617	-	-	124,266	501,351	112,086
<b>Total Redevelopment</b>	<b>18,205,617</b>	<b>(4,125,000)</b>	<b>4,225,000</b>	<b>574,266</b>	<b>17,731,351</b>	<b>542,086</b>
<b>Total Governmental Long-Term Obligations</b>	<b>\$ 63,681,512</b>	<b>\$ (4,125,000)</b>	<b>\$ 11,132,075</b>	<b>\$ 5,447,964</b>	<b>\$ 65,240,623</b>	<b>\$ 4,548,387</b>
Less:						
Net unamortized bond discount					(50,222)	
Net unamortized bond defeasance loss					(177,969)	
					<u>\$ 65,012,432</u>	
<b>Business-Type Funds:</b>						
Compensated absences	<u>\$ 128,939</u>	<u>\$ -</u>	<u>\$ 40,687</u>	<u>\$ 30,529</u>	<u>\$ 139,097</u>	<u>\$ 20,865</u>

**Hawthorne Public Financing Authority**

Certificates of Participation (COP) 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.

\$ 8,385,000

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, 2005.

**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, 2005 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2010	360,000	354,868	714,868
2010-2015	2,090,000	1,480,304	3,570,304
2015-2020	2,680,000	871,648	3,551,648
2021-2022	1,965,000	156,910	2,121,910
Total Debt Service	<u>\$ 8,385,000</u>	<u>\$ 4,443,701</u>	<u>\$ 12,828,701</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.

**Capital Lease Obligations**

The City has entered into various capital lease agreements for the lease of equipment. These assets have been capitalized with the obligation shown in the statement of net assets. 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, 2005:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 187,235	\$ 27,940	\$ 215,175
2007	196,091	19,083	215,174
2008	205,378	9,796	215,174
2009	97,031	2,405	99,436
2010	10,621	62	10,683
Total Debt Service	<u>\$ 696,356</u>	<u>\$ 59,286</u>	<u>\$ 755,642</u>

The Internal Service fund entered into a lease agreement to purchase police vehicles. The following is a schedule of future minimum lease payments as of June 30, 2005:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 54,241	\$ 4,144	\$ 58,385
2007	56,507	2,110	58,617
Total Debt Service	<u>\$ 110,748</u>	<u>\$ 6,254</u>	<u>\$ 117,002</u>

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

**Note 7: Long-Term Debt (Continued)**

Lease Obligation - Police Facility

The City completed building its new police facility during fiscal year 2004-2005. The construction expenditures were partially funded by the California Infrastructure and Economic Development Bank (CIEDB). The facility has been assigned to CIEDB and leased back by the City of Hawthorne. As of June 30, 2005 the total construction expenditures of \$20,000,000 have been recorded as a liability under the lease obligation. Principal payments ranging from \$420,405 to \$1,186,129 are due annually on August 1 through the year 2031. The following schedule illustrates the annual principal requirements to maturity for the lease obligation as of June 30:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 437,515	\$ 787,986	\$ 1,225,501
2007	455,322	769,817	1,225,139
2008	473,854	750,909	1,224,763
2009	493,140	731,230	1,224,370
2010	513,210	710,750	1,223,960
2010-2015	2,896,897	3,216,175	6,113,072
2015-2020	3,536,395	2,563,664	6,100,059
2020-2025	4,317,063	1,767,108	6,084,171
2025-2030	5,270,068	1,014,708	6,284,776
2030-2031	1,186,131	24,138	1,210,269
Total Debt Service	<u>\$ 19,579,595</u>	<u>\$ 12,336,485</u>	<u>\$ 31,916,080</u>

Section 108 Loan

Section 108 Loan of \$7,800,000 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 \$485,000 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>
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
2010	475,000	318,103	793,103
2010-2015	2,145,000	1,264,987	3,409,987
2015-2020	1,775,000	769,932	2,544,932
2020-2024	1,755,000	258,888	2,013,888
Total Debt Service	<u>\$ 7,700,000</u>	<u>\$ 4,054,491</u>	<u>\$ 11,754,491</u>

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

**Note 7: Long-Term Debt (Continued)**

Community Redevelopment Agency Debt

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. Principal payments ranging from \$270,000 to \$675,000 are due annually on September 1 through the 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 through the year 2020. 4,235,000

In December 2004, the Community Redevelopment Agency of the City of Hawthorne issued \$4,225,000 Project Area No. 2 Tax Allocation Refunding Bonds, Series 2004 for the purpose of refunding, on a current basis, the Agency's outstanding Project Area No. 2 Tax Allocation Refunding Bonds, Series 1994. The bonds consist of \$2,725,000 serial bonds with annual maturity dates from September 1, 2007 through September 1, 2013, bearing interest rates ranging from 3.0% to 3.5% and \$1,500,000 term bonds with an interest rate of 4.5% maturing September 1, 2024. Interest is payable semiannually beginning March 1, 2005. Principal payments ranging from \$75,000 to \$330,000 are due annually on September 1 beginning in the year 2007 through the year 2024. 4,225,000

Total Community Redevelopment Agency Tax Allocation Refunding Bonds \$ 17,230,000

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, 2005.

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, 2005 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 430,000	\$ 865,322	\$ 1,295,322
2007	455,000	843,884	1,298,884
2008	545,000	819,530	1,364,530
2009	680,000	791,042	1,471,042
2010	710,000	758,407	1,468,407
2010-2015	4,130,000	3,214,560	7,344,560
2015-2020	5,305,000	1,989,636	7,294,636
2020-2025	<u>4,975,000</u>	<u>587,294</u>	<u>5,562,294</u>
Total Debt Service	<u>\$ 17,230,000</u>	<u>\$ 9,869,675</u>	<u>\$ 27,099,675</u>

City of Hawthorne  
Notes to Financial Statements (Continued)

Note 7: Long-Term Debt (Continued)

Notes Payable

Anastasi Construction Note - an installment agreement which was approved by a court order on May 6, 1997 was paid in full as of June 30, 2005.	\$ -
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, 2005.	<u>501,351</u>
Total Community Redevelopment Agency Notes Payable	<u>\$ 501,351</u>

Claims and Judgments

As of June 30, 2005 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, 2005 total estimated claims payable were \$2,808,437.

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, 2005 the bonds were fully defeased.

Non-City Obligation Debt - Special Assessment Bonds

During the year ended June 30, 1992, two Community Facilities Districts (Districts) were established by the Community Redevelopment Agency (Agency) of the City of Hawthorne. Bonds have been issued to finance the cost of various real property acquisitions, various construction activities, street improvements, traffic signalization and public safety projects and other infrastructure improvements which have a special and direct benefit to the related property owners. Under the terms and conditions of these bonds, the Agency acts as agent for the property owners in collecting the special taxes and forwarding the collections to the bond holders.

On October 22, 1991, the 1990-1 Special Tax Bonds totaling \$8,955,000 were issued and on November 12, 1991, the 1991-1 Special Tax Bonds totaling \$11,865,000 were issued. The 1990-1 Special Tax Bonds were refunded on March 18, 1999 by the issuance of the 1998 Special Tax Refunding Bonds for \$8,990,000. On August 16, 2000, the Agency issued two series of 1999-1 Special Tax Bonds, \$3,525,000 Series A and \$12,475,000 Series B. The total of these bonds were used to refund the 1991-1 Special Tax Bonds. As of June 30, 2005, the bonds outstanding from these Community Facility Districts totaled \$22,345,000.

On April 20, 2005, the District issued the 2004-1 (Fusion at South Bay) 2005 Special Tax Bonds totaling \$3,880,000 to acquire an easement and certain public facilities of benefit to the District. As of June 30, 2005, the bonds outstanding from this Community Facility District totaled \$3,880,000.

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

**Note 7: Long-Term Debt (Continued)**

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, 2005, the Special Tax Refunding Bonds outstanding totaled \$8,260,000.

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.

**Note 8: Interfund Receivable, Payable and Transfers**

The composition of interfund balances as of June 30, 2005 is as follows:

Due To/From Other Funds

Funds	Due to Other Funds				Total
	Housing Authority	South Bay Workforce Invest. Board	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	
Due From Other Funds:					
General	\$ -	\$ 801,372	\$ 2,313,605	\$ 68,027	\$ 3,183,004
Nonmajor Funds	2,055,433	-	-	-	2,055,433
Total	<u>\$ 2,055,433</u>	<u>\$ 801,372</u>	<u>\$ 2,313,605</u>	<u>\$ 68,027</u>	<u>\$ 5,238,437</u>

The due to of \$395,000 between Redevelopment Agency Funds was a result to properly record advances between funds.

The due to the General Fund of \$3,183,004 from various nonmajor funds was a result of temporary deficit cash balances in those funds.

The due form the Housing Authority of \$2,055,433 was to cover temporary cash deficit.

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

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

Advances to/from Other Funds

<u>Funds</u>	<u>Advances to Other Funds General Fund</u>
Advances from Other Funds: CRA Capital Projects	<u>\$ 53,086,040</u>
Total	<u>\$ 53,086,040</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 10% 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, 2005 loans to, and accrued unpaid interest owed on those loans were \$53,086,040.

Interfund Transfers

	<u>Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Redevelopment Agency</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Enterprise Funds</u>	
Transfers In:					
General	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 1,500,000
CRA Capital Projects	135,000	-	2,313,000	-	2,448,000
Nonmajor Funds	7,600,467	357,530	1,766,133	-	9,724,130
Total	<u>\$ 7,735,467</u>	<u>\$ 357,530</u>	<u>\$ 4,079,133</u>	<u>\$ 1,500,000</u>	<u>\$ 13,672,130</u>

The transfer out to the Police Facility for \$5,400,650 from the General Fund was the City's contribution to the construction expenditures for the new police building. Transfers of \$2,199,817 to nonmajor funds were for City matching of the Local Law Enforcement Grant and the COPS In School Grant in the amounts of \$23,047 and \$198,500, respectively. The transfer was also for debt service contributions on the 1997 COP bond in the amount of \$724,376, and debt service contributions for the police facility loan in the amount of \$1,253,894.

The transfer out from the Capital Projects Redevelopment Agency of \$357,530 was for contribution of the debt service on the 1994 Tax Allocation Bond.

The transfer out from nonmajor funds of \$2,313,000 to the Capital Projects Redevelopment Agency was to cover administrative expenditures. Transfer of \$1,766,133 from nonmajor funds was to cover public works projects in the amount of \$1,325,000, and for contribution of the debt service on the 1998 Tax Allocation Bond of \$441,133.

The transfer out from nonmajor Enterprise Funds of \$1,500,000 to the General Fund was for operating needs.

**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:

General Fund

To properly close out refuse fund	\$ 6,751
To properly record expenditures incurred in the proper fund	(10,712)
To properly record in the proper fund prior year police department salaries incurred	(513,767)
To correctly state deferred interest revenue due to a reclass between interest and principal on the advances to the Redevelopment Agency	300,000

Nonmajor Governmental Funds:

Special Revenue Funds:

Proposition A

To properly record expenditures in the proper fund	6,645
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Proposition C

To properly record expenditures in the proper fund	(6,645)
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Air Quality

To properly record expenditures incurred in the proper fund	10,712
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Police Facility

To properly record in the proper fund prior year police department salaries incurred	513,767
--	---------

Net assets have been restated as follows:

Governmental Activities:

To correctly state deferred interest revenue due to a reclass between interest and principal on the advances to the Redevelopment Agency	<u>(300,000)</u>
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Total restatements	<u><u>\$ 6,751</u></u>
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**IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Note 10: Other Post-Employment Benefits**

In addition to the PERS pension benefits described in Note 6, 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:

General

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 10 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.



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

**Note 10: Other Post-Employment Benefits (Continued)**

**Fire**

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

**Police**

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

During the fiscal year ended June 30, 2005 expenditures of approximately \$1,148,928 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, 2005 there were 194 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 \$2,808,437 reported in the fund at June 30, 2005 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.

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

**Note 11: Insurance (Continued)**

Changes in the fund's claims liability amounts in the fiscal years 2004 and 2005 were as follows:

Year	Liability July 1, 2004	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30, 2005
2004	\$ 672,457	\$ 2,779,599	\$ (866,405)	\$ 2,585,651
2005	2,585,651	1,633,975	(1,411,189)	2,808,437

**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.

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

**Note 12: Commitments and Contingencies (Continued)**

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

**Proposition 218**

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

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

CITY OF HAWTHORNE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	<u>Special Revenue Funds</u>		
	<u>Street Lighting</u>	<u>Gas Tax</u>	<u>Street</u>
<b>Assets:</b>			
Cash and investments	\$ -	\$ -	\$ 204,760
Receivables:			
Accounts	-	146,060	3,705
Accrued interest	8,306	-	-
Taxes	16,788	-	4,933
Contracts and notes	-	-	-
Due from other governments	-	-	-
Due from other funds	1,162,293	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
<b>Total Assets</b>	<b><u>\$ 1,187,387</u></b>	<b><u>\$ 146,060</u></b>	<b><u>\$ 213,398</u></b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 47,700	\$ 122,506	\$ 43,160
Accrued liabilities	1,073	-	11,226
Due to other funds	-	220,059	-
Deferred revenues	-	-	-
Unearned revenues	-	-	-
Deposits payable	-	-	-
Due to other governments	-	23,961	-
<b>Total Liabilities</b>	<b><u>48,773</u></b>	<b><u>366,526</u></b>	<b><u>54,386</u></b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	-	-	-
Unreserved:			
Designated for capital projects	-	-	-
Designated for debt service	-	-	-
Undesignated	1,138,614	(220,466)	159,012
<b>Total Fund Balances</b>	<b><u>1,138,614</u></b>	<b><u>(220,466)</u></b>	<b><u>159,012</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,187,387</u></b>	<b><u>\$ 146,060</u></b>	<b><u>\$ 213,398</u></b>

Special Revenue Funds					
Asset Forfeiture	Anti Drug Abuse Grant	High Intensity Drug Trafficking	Proposition A	Proposition C	Rosecrans/ Aviation Project
\$ 127,763	\$ -	\$ -	\$ 686,449	\$ 244,281	\$ 198,085
-	-	-	-	-	-
1,066	-	-	3,522	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,792	1,980,963	1,425,573	87,391	72,485	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>\$ 150,621</b>	<b>\$ 1,980,963</b>	<b>\$ 1,425,573</b>	<b>\$ 777,362</b>	<b>\$ 316,766</b>	<b>\$ 198,085</b>
\$ 8,157	\$ 26,664	\$ 116,390	\$ -	\$ -	\$ 2,856
-	912	14,752	-	3,716	-
-	1,763,650	154,742	-	-	-
-	1,242,592	1,251,293	-	-	-
-	240,569	-	-	-	-
-	-	-	-	-	-
-	-	1,198,631	-	278,442	-
<b>8,157</b>	<b>3,274,387</b>	<b>2,735,808</b>	<b>-</b>	<b>282,158</b>	<b>2,856</b>
-	-	-	-	-	-
-	-	-	120,000	-	-
-	-	-	-	-	-
142,464	(1,293,424)	(1,310,235)	657,362	34,608	195,229
<b>142,464</b>	<b>(1,293,424)</b>	<b>(1,310,235)</b>	<b>777,362</b>	<b>34,608</b>	<b>195,229</b>
<b>\$ 150,621</b>	<b>\$ 1,980,963</b>	<b>\$ 1,425,573</b>	<b>\$ 777,362</b>	<b>\$ 316,766</b>	<b>\$ 198,085</b>

CITY OF HAWTHORNE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds		
	Air Quality	Community Development Block Grant	California Used Oil Recycling
<b>Assets:</b>			
Cash and investments	\$ 388,570	\$ 352,354	\$ -
Receivables:			
Accounts	-	-	-
Accrued interest	2,309	-	51
Taxes	-	-	-
Contracts and notes	-	4,015,604	-
Due from other governments	-	424,666	-
Due from other funds	-	893,140	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
<b>Total Assets</b>	<b>\$ 390,879</b>	<b>\$ 5,685,764</b>	<b>\$ 51</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 581	\$ 1,264,455	\$ 1,210
Accrued liabilities	-	4,949	190
Due to other funds	-	-	601
Deferred revenues	-	4,061,635	-
Unearned revenues	-	-	-
Deposits payable	-	10,047	-
Due to other governments	-	244,561	-
<b>Total Liabilities</b>	<b>581</b>	<b>5,585,647</b>	<b>2,001</b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	270,208	39,198	-
Unreserved:			
Designated for capital projects	-	-	-
Designated for debt service	-	-	-
Undesignated	120,090	60,919	(1,950)
<b>Total Fund Balances</b>	<b>390,298</b>	<b>100,117</b>	<b>(1,950)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 390,879</b>	<b>\$ 5,685,764</b>	<b>\$ 51</b>

Special Revenue Funds

Local Law Enforcement Block Grant	COPS	COPS in School Grant	AB 2928	California Law Enforcement Equipment Grant
\$ 28,678	\$ 319,230	\$ -	\$ -	\$ 6,711
-	-	-	-	-
145	2,088	-	-	-
-	-	-	-	-
-	-	60,000	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 28,823</u>	<u>\$ 321,318</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 6,711</u>
\$ 14,754	\$ 74,636	\$ -	\$ -	\$ 6,760
-	-	-	-	-
-	-	45,952	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>14,754</u>	<u>74,636</u>	<u>45,952</u>	<u>-</u>	<u>6,760</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
14,069	246,682	14,048	-	(49)
<u>14,069</u>	<u>246,682</u>	<u>14,048</u>	<u>-</u>	<u>(49)</u>
<u>\$ 28,823</u>	<u>\$ 321,318</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 6,711</u>

**CITY OF HAWTHORNE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	<b>Special Revenue Funds</b>		
	<b>Safe Route to Schools Grant</b>	<b>California Office of Traffic Safety Grant</b>	<b>HOME Grant</b>
<b>Assets:</b>			
Cash and investments	\$ -	\$ 14,158	\$ 18,143
Receivables:			
Accounts	-	-	-
Accrued interest	21	-	-
Taxes	-	-	-
Contracts and notes	-	-	2,225,563
Due from other governments	-	14,000	195,800
Due from other funds	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
<b>Total Assets</b>	<b>\$ 21</b>	<b>\$ 28,158</b>	<b>\$ 2,439,506</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ 211,242
Accrued liabilities	-	-	2,126
Due to other funds	-	-	-
Deferred revenues	-	-	2,225,563
Unearned revenues	-	-	-
Deposits payable	-	-	-
Due to other governments	-	-	25,057
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,463,988</b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	-	-	-
Unreserved:			
Designated for capital projects	-	-	-
Designated for debt service	-	-	-
Undesignated	21	28,158	(24,482)
<b>Total Fund Balances</b>	<b>21</b>	<b>28,158</b>	<b>(24,482)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21</b>	<b>\$ 28,158</b>	<b>\$ 2,439,506</b>



Special Revenue Funds		Capital Project Funds		Debt Service Funds
L.A. Clearinghouse LLEBG	American Down Payment Dream Program	Development Impact	Police Facility	Community Redevelopment Agency
\$ 8,604	\$ -	\$ 378,949	\$ 1,140	\$ 2,609,119
-	-	-	-	-
171	-	-	-	-
-	-	-	-	456,597
-	15,600	-	-	-
-	-	4,560	-	-
-	-	-	-	-
-	-	-	-	860,370
<b>\$ 8,775</b>	<b>\$ 15,600</b>	<b>\$ 383,509</b>	<b>\$ 1,140</b>	<b>\$ 3,926,086</b>
\$ -	\$ -	\$ -	\$ 1,140	\$ -
-	-	-	-	-
-	-	-	-	-
-	15,600	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	15,600	-	1,140	-
-	-	-	-	-
-	-	383,509	-	-
-	-	-	-	3,926,086
8,775	-	-	-	-
<b>8,775</b>	<b>-</b>	<b>383,509</b>	<b>-</b>	<b>3,926,086</b>
<b>\$ 8,775</b>	<b>\$ 15,600</b>	<b>\$ 383,509</b>	<b>\$ 1,140</b>	<b>\$ 3,926,086</b>

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>Debt Service Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Public Financing Authority</u>	<u>Police Facility</u>	
<b>Assets:</b>			
Cash and investments	\$ -	\$ 34,050	\$ 5,621,044
Receivables:			
Accounts	-	-	149,765
Accrued interest	-	-	17,679
Taxes	-	-	478,318
Contracts and notes	-	-	6,256,767
Due from other governments	-	-	4,287,230
Due from other funds	-	-	2,055,433
Restricted assets:			
Cash and investments with fiscal agents	1,243,222	-	2,103,592
<b>Total Assets</b>	<b>\$ 1,243,222</b>	<b>\$ 34,050</b>	<b>\$ 20,969,828</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ 1,942,211
Accrued liabilities	-	-	38,944
Due to other funds	128,601	-	2,313,605
Deferred revenues	-	-	8,796,683
Unearned revenues	-	-	240,569
Deposits payable	-	-	10,047
Due to other governments	-	-	1,770,652
<b>Total Liabilities</b>	<b>128,601</b>	<b>-</b>	<b>15,112,711</b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	-	-	309,406
Unreserved:			
Designated for capital projects	-	-	503,509
Designated for debt service	1,114,621	34,050	5,074,757
Undesignated	-	-	(30,555)
<b>Total Fund Balances</b>	<b>1,114,621</b>	<b>34,050</b>	<b>5,857,117</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,243,222</b>	<b>\$ 34,050</b>	<b>\$ 20,969,828</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	Special Revenue Funds		
	Street Lighting	Gas Tax	Street
<b>Revenues:</b>			
Taxes	\$ 561,401	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	1,612,253	68,715
Charges for services	-	-	232,605
Use of money and property	21,894	255	-
Fines and forfeitures	-	-	-
Miscellaneous	-	224,960	103,094
<b>Total Revenues</b>	<b>583,295</b>	<b>1,837,468</b>	<b>404,414</b>
<b>Expenditures:</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	-	-	-
Public works	839,325	1,028,548	1,530,913
Capital outlay	-	-	35,346
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Cost of issuance	-	-	-
Payment to refunded bond escrow agent	-	-	-
Pass-through agreement payments	-	-	-
<b>Total Expenditures</b>	<b>839,325</b>	<b>1,028,548</b>	<b>1,566,259</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(256,030)	808,920	(1,161,845)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	1,325,000
Transfers out	-	(1,325,000)	-
Long term debt issued	-	-	-
Discount on long term debt issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,325,000)</b>	<b>1,325,000</b>
Net Change in Fund Balances	\$ (256,030)	\$ (516,080)	\$ 163,155
<b>Fund Balances</b>			
Beginning of year, as originally reported	\$ 1,394,644	\$ 295,614	\$ (4,143)
Restatements	-	-	-
Beginning of year, as restated	1,394,644	295,614	(4,143)
Net Change in Fund Balances	(256,030)	(516,080)	163,155
<b>End of Fiscal Year</b>	<b>\$ 1,138,614</b>	<b>\$ (220,466)</b>	<b>\$ 159,012</b>

Special Revenue Funds

Asset Forfeiture	Anti Drug Abuse Grant	High Intensity Drug Trafficking	Proposition A	Proposition C	Rosecrans/Aviation Project
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	970,156	3,602,655	1,272,905	1,059,753	850,500
-	-	-	-	23,687	-
2,767	-	-	15,644	760	-
311,875	-	-	-	-	-
-	-	-	-	-	-
<b>314,642</b>	<b>970,156</b>	<b>3,602,655</b>	<b>1,288,549</b>	<b>1,084,200</b>	<b>850,500</b>
-	-	-	-	-	-
283,102	1,349,530	4,742,638	-	-	-
-	-	-	-	-	-
-	-	-	1,300,000	2,874,502	-
30,127	111,540	77,812	-	86,131	211,979
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>313,229</b>	<b>1,461,070</b>	<b>4,820,450</b>	<b>1,300,000</b>	<b>2,960,633</b>	<b>211,979</b>
1,413	(490,914)	(1,217,795)	(11,451)	(1,876,433)	638,521
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>\$ 1,413</b>	<b>\$ (490,914)</b>	<b>\$ (1,217,795)</b>	<b>\$ (11,451)</b>	<b>\$ (1,876,433)</b>	<b>\$ 638,521</b>
\$ 141,051	\$ (802,510)	\$ (92,440)	\$ 782,168	\$ 1,917,686	\$ (443,292)
-	-	-	6,645	(6,645)	-
141,051	(802,510)	(92,440)	788,813	1,911,041	(443,292)
1,413	(490,914)	(1,217,795)	(11,451)	(1,876,433)	638,521
<b>\$ 142,464</b>	<b>\$ (1,293,424)</b>	<b>\$ (1,310,235)</b>	<b>\$ 777,362</b>	<b>\$ 34,608</b>	<b>\$ 195,229</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	Special Revenue Funds		
	Air Quality	Community Development Block Grant	California Used Oil Recycling
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	77,274	1,711,601	53,628
Charges for services	-	413,688	-
Use of money and property	5,936	-	301
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
<b>Total Revenues</b>	<b>83,210</b>	<b>2,125,289</b>	<b>53,929</b>
<b>Expenditures:</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Community development	72,112	1,907,108	-
Public works	-	-	55,879
Capital outlay	-	6,786,927	-
Debt service:			
Principal retirement	-	50,000	-
Interest and fiscal charges	-	231,236	-
Cost of issuance	-	-	-
Payment to refunded bond escrow agent	-	-	-
Pass-through agreement payments	-	-	-
<b>Total Expenditures</b>	<b>72,112</b>	<b>8,975,271</b>	<b>55,879</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,098	(6,849,982)	(1,950)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Long term debt issued	-	-	-
Discount on long term debt issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	\$ 11,098	\$ (6,849,982)	\$ (1,950)
<b>Fund Balances</b>			
Beginning of year, as originally reported	\$ 368,488	\$ 6,950,099	\$ -
Restatements	10,712	-	-
Beginning of year, as restated	379,200	6,950,099	-
Net Change in Fund Balances	11,098	(6,849,982)	(1,950)
<b>End of Fiscal Year</b>	<b>\$ 390,298</b>	<b>\$ 100,117</b>	<b>\$ (1,950)</b>

Special Revenue Funds

Local Law Enforcement Block Grant	COPS	COPS in School Grant	AB 2928	California Law Enforcement Equipment Grant
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
240,513	129,501	-	-	126,225
-	-	-	-	-
1,794	5,322	-	-	-
-	-	-	-	-
-	-	60,000	-	-
<b>242,307</b>	<b>134,823</b>	<b>60,000</b>	<b>-</b>	<b>126,225</b>
-	-	-	-	-
101,719	2,790	244,452	-	-
-	-	-	-	-
-	-	-	-	-
149,566	119,828	-	18,347	126,274
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>251,285</b>	<b>122,618</b>	<b>244,452</b>	<b>18,347</b>	<b>126,274</b>
<b>(8,978)</b>	<b>12,205</b>	<b>(184,452)</b>	<b>(18,347)</b>	<b>(49)</b>
23,047	-	198,500	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>23,047</b>	<b>-</b>	<b>198,500</b>	<b>-</b>	<b>-</b>
<b>\$ 14,069</b>	<b>\$ 12,205</b>	<b>\$ 14,048</b>	<b>\$ (18,347)</b>	<b>\$ (49)</b>
\$ -	\$ 234,477	\$ -	\$ 18,347	\$ -
-	-	-	-	-
-	234,477	-	18,347	-
14,069	12,205	14,048	(18,347)	(49)
<b>\$ 14,069</b>	<b>\$ 246,682</b>	<b>\$ 14,048</b>	<b>\$ -</b>	<b>\$ (49)</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	Special Revenue Funds		
	Safe Route to Schools Grant	California Office of Traffic Safety Grant	HOME Grant
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	10,000	60,539	1,221,769
Charges for services	-	-	226,385
Use of money and property	21	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	90,732
<b>Total Revenues</b>	<b>10,021</b>	<b>60,539</b>	<b>1,538,886</b>
<b>Expenditures:</b>			
Current:			
General government	-	-	-
Public safety	-	32,381	-
Community development	-	-	1,425,377
Public works	-	-	-
Capital outlay	10,000	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Cost of issuance	-	-	-
Payment to refunded bond escrow agent	-	-	-
Pass-through agreement payments	-	-	-
<b>Total Expenditures</b>	<b>10,000</b>	<b>32,381</b>	<b>1,425,377</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	21	28,158	113,509
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Long term debt issued	-	-	-
Discount on long term debt issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	\$ 21	\$ 28,158	\$ 113,509
<b>Fund Balances</b>			
Beginning of year, as originally reported	\$ -	\$ -	\$ (137,991)
Restatements	-	-	-
Beginning of year, as restated	-	-	(137,991)
Net Change in Fund Balances	21	28,158	113,509
<b>End of Fiscal Year</b>	<b>\$ 21</b>	<b>\$ 28,158</b>	<b>\$ (24,482)</b>

Special Revenue Funds		Capital Project Funds		Debt Service Funds
L.A. Clearinghouse LLEBG	American Down Payment Dream Program	Development Impact	Police Facility	Community Redevelopment Agency
\$ -	\$ -	\$ -	\$ -	\$ 5,605,573
-	-	263,674	-	-
87,998	15,600	-	-	-
-	-	-	-	-
444	-	-	-	53,341
-	-	-	-	-
-	-	-	-	-
<b>88,442</b>	<b>15,600</b>	<b>263,674</b>	<b>-</b>	<b>5,658,914</b>
-	-	-	-	126,406
79,667	-	-	2,694,024	-
-	15,600	14,691	-	-
-	-	-	-	-
-	-	-	48,157	-
-	-	-	-	450,000
-	-	-	-	893,116
-	-	-	-	259,232
-	-	-	-	435,013
-	-	-	-	2,380,896
<b>79,667</b>	<b>15,600</b>	<b>14,691</b>	<b>2,742,181</b>	<b>4,544,663</b>
<b>8,775</b>	<b>-</b>	<b>248,983</b>	<b>(2,742,181)</b>	<b>1,114,251</b>
-	-	-	5,400,650	798,663
-	-	-	-	(2,754,133)
-	-	-	2,000,000	4,225,000
-	-	-	-	(51,544)
-	-	-	-	(3,877,323)
-	-	-	<b>7,400,650</b>	<b>(1,659,337)</b>
<b>\$ 8,775</b>	<b>\$ -</b>	<b>\$ 248,983</b>	<b>\$ 4,658,469</b>	<b>\$ (545,086)</b>
\$ -	\$ -	\$ 134,526	\$ (5,172,236)	\$ 4,471,172
-	-	-	513,767	-
-	-	134,526	(4,658,469)	4,471,172
<b>8,775</b>	<b>-</b>	<b>248,983</b>	<b>4,658,469</b>	<b>(545,086)</b>
<b>\$ 8,775</b>	<b>\$ -</b>	<b>\$ 383,509</b>	<b>\$ -</b>	<b>\$ 3,926,086</b>



**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005**

	<u>Debt Service Funds</u>		<u>Total Governmental Funds</u>
	<u>Public Financing Authority</u>	<u>Police Facility</u>	
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ 6,166,974
Licenses and permits	-	-	263,674
Intergovernmental	-	-	13,171,585
Charges for services	-	-	896,365
Use of money and property	3,252	-	111,731
Fines and forfeitures	-	-	311,875
Miscellaneous	-	-	478,786
<b>Total Revenues</b>	<b>3,252</b>	<b>-</b>	<b>21,400,990</b>
<b>Expenditures:</b>			
Current:			
General government	12,022	-	138,428
Public safety	-	-	9,530,303
Community development	-	-	3,434,888
Public works	-	-	7,629,167
Capital outlay	-	-	7,812,034
Debt service:			
Principal retirement	290,000	420,405	1,210,405
Interest and fiscal charges	430,128	799,439	2,353,919
Cost of issuance	-	-	259,232
Payment to refunded bond escrow agent	-	-	435,013
Pass-through agreement payments	-	-	2,380,896
<b>Total Expenditures</b>	<b>732,150</b>	<b>1,219,844</b>	<b>35,184,285</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(728,898)	(1,219,844)	(13,783,295)
<b>Other Financing Sources (Uses):</b>			
Transfers in	724,376	1,253,894	9,724,130
Transfers out	-	-	(4,079,133)
Long term debt issued	-	-	6,225,000
Discount on long term debt issued	-	-	(51,544)
Payment to refunded bond escrow agent	-	-	(3,877,323)
<b>Total Other Financing Sources (Uses)</b>	<b>724,376</b>	<b>1,253,894</b>	<b>7,941,130</b>
Net Change in Fund Balances	\$ (4,522)	\$ 34,050	\$ (5,842,165)
<b>Fund Balances</b>			
Beginning of year, as originally reported	\$ 1,119,143	\$ -	\$ 11,174,803
Restatements	-	-	524,479
Beginning of year, as restated	1,119,143	-	11,699,282
Net Change in Fund Balances	(4,522)	34,050	(5,842,165)
<b>End of Fiscal Year</b>	<b>\$ 1,114,621</b>	<b>\$ 34,050</b>	<b>\$ 5,857,117</b>

## CITY OF HAWTHORNE

Schedule 3A

**BUDGETARY COMPARISON SCHEDULE  
STREET LIGHTING  
YEAR ENDED JUNE 30, 2005**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,394,644	\$ 1,394,644	\$ 1,394,644	\$ -
<b>Resources (Inflows):</b>				
Taxes	560,000	560,000	561,401	1,401
Use of money and property	20,000	20,000	21,894	1,894
<b>Amounts Available for Appropriation</b>	<b>1,974,644</b>	<b>1,974,644</b>	<b>1,977,939</b>	<b>3,295</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	577,928	847,929	839,325	8,604
<b>Total Charges to Appropriations</b>	<b>577,928</b>	<b>847,929</b>	<b>839,325</b>	<b>8,604</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,396,716</b>	<b>\$ 1,126,715</b>	<b>\$ 1,138,614</b>	<b>\$ 11,899</b>

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 295,614	\$ 295,614	\$ 295,614	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,800,000	1,800,000	1,612,253	(187,747)
Use of money and property	10,000	10,000	255	(9,745)
Other	-	25,000	224,960	199,960
<b>Amounts Available for Appropriation</b>	<b>2,105,614</b>	<b>2,130,614</b>	<b>2,133,082</b>	<b>2,468</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,117,928	952,928	1,028,548	(75,620)
Transfers to other funds	1,325,000	1,325,000	1,325,000	-
<b>Total Charges to Appropriations</b>	<b>2,442,928</b>	<b>2,277,928</b>	<b>2,353,548</b>	<b>(75,620)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (337,314)</b>	<b>\$ (147,314)</b>	<b>\$ (220,466)</b>	<b>\$ (73,152)</b>

## CITY OF HAWTHORNE

Schedule 3C

**BUDGETARY COMPARISON SCHEDULE  
STREET  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (4,143)	\$ (4,143)	\$ (4,143)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	40,000	40,000	68,715	28,715
Charges for services	220,000	220,000	232,605	12,605
Other	-	-	103,094	103,094
Transfers from other funds	-	1,325,000	1,325,000	-
<b>Amounts Available for Appropriation</b>	<b>255,857</b>	<b>1,580,857</b>	<b>1,725,271</b>	<b>144,414</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,444,822	1,450,073	1,530,913	(80,840)
Capital outlay	30,000	30,000	35,346	(5,346)
<b>Total Charges to Appropriations</b>	<b>1,474,822</b>	<b>1,480,073</b>	<b>1,566,259</b>	<b>(86,186)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (1,218,965)</b>	<b>\$ 100,784</b>	<b>\$ 159,012</b>	<b>\$ 58,228</b>

## CITY OF HAWTHORNE

Schedule 3D

**BUDGETARY COMPARISON SCHEDULE  
ASSET FORFEITURE  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 141,051	\$ 141,051	\$ 141,051	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	2,000	2,000	2,767	767
Fines and forfeitures	350,000	350,000	311,875	(38,125)
<b>Amounts Available for Appropriation</b>	<b>493,051</b>	<b>493,051</b>	<b>455,693</b>	<b>(37,358)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	317,960	347,960	283,102	64,858
Capital outlay	-	-	30,127	(30,127)
<b>Total Charges to Appropriations</b>	<b>317,960</b>	<b>347,960</b>	<b>313,229</b>	<b>34,731</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 175,091</b>	<b>\$ 145,091</b>	<b>\$ 142,464</b>	<b>\$ (2,627)</b>

**BUDGETARY COMPARISON SCHEDULE  
ANTI DRUG ABUSE GRANT  
YEAR ENDED JUNE 30, 2005**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ (802,510)	\$ (802,510)	\$ (802,510)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	2,299,422	970,156	(1,329,266)
<b>Amounts Available for Appropriation</b>	<b>(802,510)</b>	<b>1,496,912</b>	<b>167,646</b>	<b>(1,329,266)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	2,216,119	1,349,530	866,589
Capital outlay	-	83,303	111,540	(28,237)
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>2,299,422</b>	<b>1,461,070</b>	<b>838,352</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (802,510)</b>	<b>\$ (802,510)</b>	<b>\$ (1,293,424)</b>	<b>\$ (490,914)</b>

**BUDGETARY COMPARISON SCHEDULE  
HIGH INTENSITY DRUG TRAFFICKING  
YEAR ENDED JUNE 30, 2005**

	<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	\$ (92,440)	\$ (92,440)	\$ (92,440)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	4,762,653	4,762,653	3,602,655	(1,159,998)
<b>Amounts Available for Appropriation</b>	<b>4,670,213</b>	<b>4,670,213</b>	<b>3,510,215</b>	<b>(1,159,998)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	4,719,535	4,719,535	4,742,638	(23,103)
Capital outlay	43,118	43,118	77,812	(34,694)
<b>Total Charges to Appropriations</b>	<b>4,762,653</b>	<b>4,762,653</b>	<b>4,820,450</b>	<b>(57,797)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (92,440)</b>	<b>\$ (92,440)</b>	<b>\$ (1,310,235)</b>	<b>\$ (1,217,795)</b>

**BUDGETARY COMPARISON SCHEDULE  
PROPOSITION A  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1 as restated	\$ 788,813	\$ 788,813	\$ 788,813	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,237,519	1,237,519	1,272,905	35,386
Use of money and property	10,000	10,000	15,644	5,644
<b>Amounts Available for Appropriation</b>	<b>2,036,332</b>	<b>2,036,332</b>	<b>2,077,362</b>	<b>41,030</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,300,000	1,300,000	1,300,000	-
<b>Total Charges to Appropriations</b>	<b>1,300,000</b>	<b>1,300,000</b>	<b>1,300,000</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 736,332</b>	<b>\$ 736,332</b>	<b>\$ 777,362</b>	<b>\$ 41,030</b>



## CITY OF HAWTHORNE

Schedule 3H

**BUDGETARY COMPARISON SCHEDULE  
PROPOSITION C  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1 as restated	\$ 1,911,041	\$ 1,911,041	\$ 1,911,041	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,026,444	1,026,444	1,059,753	33,309
Charges for services	24,000	24,000	23,687	(313)
Use of money and property	20,000	20,000	760	(19,240)
<b>Amounts Available for Appropriation</b>	<b>2,981,485</b>	<b>2,981,485</b>	<b>2,995,241</b>	<b>13,756</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	2,693,213	2,693,213	2,874,502	(181,289)
Capital outlay	86,500	86,500	86,131	369
<b>Total Charges to Appropriations</b>	<b>2,779,713</b>	<b>2,779,713</b>	<b>2,960,633</b>	<b>(180,920)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 201,772</b>	<b>\$ 201,772</b>	<b>\$ 34,608</b>	<b>\$ (167,164)</b>

**BUDGETARY COMPARISON SCHEDULE  
ROSECRANS/AVIATION PROJECT  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (443,292)	\$ (443,292)	\$ (443,292)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	4,179,000	4,179,000	850,500	(3,328,500)
Other	795,186	795,186	-	(795,186)
<b>Amounts Available for Appropriation</b>	<b>4,530,894</b>	<b>4,530,894</b>	<b>407,208</b>	<b>(4,123,686)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	4,974,186	4,974,186	211,979	4,762,207
<b>Total Charges to Appropriations</b>	<b>4,974,186</b>	<b>4,974,186</b>	<b>211,979</b>	<b>4,762,207</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (443,292)</b>	<b>\$ (443,292)</b>	<b>\$ 195,229</b>	<b>\$ 638,521</b>

## CITY OF HAWTHORNE

Schedule 3J

**BUDGETARY COMPARISON SCHEDULE  
AIR QUALITY  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1 as restated	\$ 379,200	\$ 379,200	\$ 379,200	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	100,000	100,000	77,274	(22,726)
Use of money and property	4,000	4,000	5,936	1,936
<b>Amounts Available for Appropriation</b>	<b>483,200</b>	<b>483,200</b>	<b>462,410</b>	<b>(20,790)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	89,770	89,770	72,112	17,658
Capital Outlay	311,983	311,983	-	311,983
<b>Total Charges to Appropriations</b>	<b>401,753</b>	<b>401,753</b>	<b>72,112</b>	<b>329,641</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 81,447</b>	<b>\$ 81,447</b>	<b>\$ 390,298</b>	<b>\$ 308,851</b>

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT BLOCK GRANT  
YEAR ENDED JUNE 30, 2005**

	<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	\$ 6,950,099	\$ 6,950,099	\$ 6,950,099	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	9,876,068	9,876,068	1,711,601	(8,164,467)
Charges for services	295,000	295,000	413,688	118,688
<b>Amounts Available for Appropriation</b>	<b>17,121,167</b>	<b>17,121,167</b>	<b>9,075,388</b>	<b>(8,045,779)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	2,851,068	2,851,068	1,907,108	943,960
Capital outlay	7,000,000	7,000,000	6,786,927	213,073
Principal	50,000	50,000	50,000	-
Interest and fiscal charges	270,000	270,000	231,236	38,764
<b>Total Charges to Appropriations</b>	<b>10,171,068</b>	<b>10,171,068</b>	<b>8,975,271</b>	<b>1,195,797</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 6,950,099</b>	<b>\$ 6,950,099</b>	<b>\$ 100,117</b>	<b>\$ (6,849,982)</b>

## CITY OF HAWTHORNE

Schedule 3L

**BUDGETARY COMPARISON SCHEDULE  
CALIFORNIA USED OIL RECYCLING  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	89,855	89,855	53,628	(36,227)
Use of money and property	-	-	301	301
<b>Amounts Available for Appropriation</b>	<b>89,855</b>	<b>89,855</b>	<b>53,929</b>	<b>(35,926)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	89,855	89,855	55,879	33,976
<b>Total Charges to Appropriations</b>	<b>89,855</b>	<b>89,855</b>	<b>55,879</b>	<b>33,976</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,950)</b>	<b>\$ (1,950)</b>

## CITY OF HAWTHORNE

Schedule 3M

**BUDGETARY COMPARISON SCHEDULE  
LOCAL LAW ENFORCEMENT BLOCK GRANT  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	416,425	416,425	240,513	(175,912)
Use of money and property	5,000	5,000	1,794	(3,206)
Transfers from other funds	-	23,047	23,047	-
<b>Amounts Available for Appropriation</b>	<b>421,425</b>	<b>444,472</b>	<b>265,354</b>	<b>(179,118)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	359,472	359,472	101,719	257,753
Capital outlay	85,000	96,714	149,566	(52,852)
<b>Total Charges to Appropriations</b>	<b>444,472</b>	<b>456,186</b>	<b>251,285</b>	<b>204,901</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (23,047)</b>	<b>\$ (11,714)</b>	<b>\$ 14,069</b>	<b>\$ 25,783</b>

## CITY OF HAWTHORNE

Schedule 3N

**BUDGETARY COMPARISON SCHEDULE  
COPS  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 234,477	\$ 234,477	\$ 234,477	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	175,000	175,000	129,501	(45,499)
Invest income	2,000	2,000	5,322	3,322
<b>Amounts Available for Appropriation</b>	<b>411,477</b>	<b>411,477</b>	<b>369,300</b>	<b>(42,177)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	112,790	112,790	2,790	110,000
Capital outlay	-	-	119,828	(119,828)
<b>Total Charges to Appropriations</b>	<b>112,790</b>	<b>112,790</b>	<b>122,618</b>	<b>(9,828)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 298,687</b>	<b>\$ 298,687</b>	<b>\$ 246,682</b>	<b>\$ (52,005)</b>

**BUDGETARY COMPARISON SCHEDULE  
COPS IN SCHOOL GRANT  
YEAR ENDED JUNE 30, 2005**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	93,750	93,750	-	(93,750)
Other	36,508	36,508	60,000	23,492
Transfers from other funds	-	198,500	198,500	-
<b>Amounts Available for Appropriation</b>	<b>130,258</b>	<b>328,758</b>	<b>258,500</b>	<b>(70,258)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	317,758	328,758	244,452	84,306
<b>Total Charges to Appropriations</b>	<b>317,758</b>	<b>328,758</b>	<b>244,452</b>	<b>84,306</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (187,500)</b>	<b>\$ -</b>	<b>\$ 14,048</b>	<b>\$ 14,048</b>



## CITY OF HAWTHORNE

Schedule 3P

**BUDGETARY COMPARISON SCHEDULE  
CALIFORNIA LAW ENFORCEMENT EQUIPMENT GRANT  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	126,225	126,225
<b>Amounts Available for Appropriation</b>	<b>-</b>	<b>-</b>	<b>126,225</b>	<b>126,225</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	121,366	126,274	(4,908)
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>121,366</b>	<b>126,274</b>	<b>(4,908)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ (121,366)</b>	<b>\$ (49)</b>	<b>\$ 121,317</b>

## CITY OF HAWTHORNE

Schedule 3Q

**BUDGETARY COMPARISON SCHEDULE  
HOME GRANT  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (137,991)	\$ (137,991)	\$ (137,991)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	3,883,706	3,933,845	1,221,769	(2,712,076)
Charges for Services	-	-	226,385	226,385
Other	-	-	90,732	90,732
<b>Amounts Available for Appropriation</b>	<b>3,745,715</b>	<b>3,795,854</b>	<b>1,400,895</b>	<b>(2,394,959)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public services	3,883,706	4,652,247	1,425,377	3,226,870
<b>Total Charges to Appropriations</b>	<b>3,883,706</b>	<b>4,652,247</b>	<b>1,425,377</b>	<b>3,226,870</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (137,991)</b>	<b>\$ (856,393)</b>	<b>\$ (24,482)</b>	<b>\$ 831,911</b>

## CITY OF HAWTHORNE

Schedule 3R

**BUDGETARY COMPARISON SCHEDULE  
L.A. CLEARINGHOUSE LLEBG  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	87,998	87,998	-
Use of money and property	-	-	444	444
<b>Amounts Available for Appropriation</b>	<b>-</b>	<b>87,998</b>	<b>88,442</b>	<b>444</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	87,998	79,667	8,331
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>87,998</b>	<b>79,667</b>	<b>8,331</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,775</b>	<b>\$ 8,775</b>

**BUDGETARY COMPARISON SCHEDULE  
AMERICAN DOWN PAYMENT DREAM PROGRAM  
YEAR ENDED JUNE 30, 2005**

	<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	\$ -	\$ -	\$ -	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	50,139	50,139	15,600	(34,539)
<b>Amounts Available for Appropriation</b>	<b>50,139</b>	<b>50,139</b>	<b>15,600</b>	<b>(34,539)</b>
<b>Charges to appropriation (outflow):</b>				
Public services	50,139	50,139	15,600	34,539
<b>Total Charges to Appropriations</b>	<b>50,139</b>	<b>50,139</b>	<b>15,600</b>	<b>34,539</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## CITY OF HAWTHORNE

Schedule 4A

**BUDGETARY COMPARISON SCHEDULE  
DEVELOPMENT IMPACT  
YEAR ENDED JUNE 30, 2005**

	<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	\$ 134,526	\$ 134,526	\$ 134,526	\$ -
<b>Resources (Inflows):</b>				
Licenses and permits	150,000	150,000	263,674	113,674
<b>Amounts Available for Appropriation</b>	<b>284,526</b>	<b>284,526</b>	<b>398,200</b>	<b>113,674</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	54,041	54,041	14,691	39,350
<b>Total Charges to Appropriations</b>	<b>54,041</b>	<b>54,041</b>	<b>14,691</b>	<b>39,350</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 230,485</b>	<b>\$ 230,485</b>	<b>\$ 383,509</b>	<b>\$ 153,024</b>

## CITY OF HAWTHORNE

Schedule 4B

**BUDGETARY COMPARISON SCHEDULE  
POLICE FACILITY  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1 as restated	\$ (4,658,469)	\$ (4,658,469)	\$ (4,658,469)	\$ -
<b>Resources (Inflows):</b>				
Notes and loans issued	-	-	2,000,000	2,000,000
Transfers from other funds	-	5,400,650	5,400,650	-
<b>Amounts Available for Appropriation</b>	<b>(4,658,469)</b>	<b>742,181</b>	<b>2,742,181</b>	<b>2,000,000</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	771,344	771,344	2,694,024	(1,922,680)
Capital outlay	135,000	154,415	48,157	106,258
<b>Total Charges to Appropriations</b>	<b>906,344</b>	<b>925,759</b>	<b>2,742,181</b>	<b>(1,816,422)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (5,564,813)</b>	<b>\$ (183,578)</b>	<b>\$ -</b>	<b>\$ 183,578</b>

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY REDEVELOPMENT AGENCY - CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (43,768,412)	\$ (43,768,412)	\$ (43,768,412)	\$ -
<b>Resources (Inflows):</b>				
Taxes	940,000	940,000	1,254,514	314,514
Use of money and property	93,200	93,200	108,469	15,269
Other	-	-	550	550
Notes and loans issued	2,095,000	2,250,000	-	(2,250,000)
Transfers from other funds	1,648,000	2,748,000	2,448,000	(300,000)
<b>Amounts Available for Appropriation</b>	<b>(38,992,212)</b>	<b>(37,737,212)</b>	<b>(39,956,879)</b>	<b>(2,219,667)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	2,790,456	2,790,456	2,488,904	301,552
Community development	1,200,000	1,200,000	831,214	368,786
Debt service:				
Principal	149,687	149,687	124,266	25,421
Interest and fiscal charges	-	1,100,000	4,824,043	(3,724,043)
Pass-through agreement payments	200,000	200,000	278,518	(78,518)
Transfers to other funds	357,530	357,530	357,530	-
<b>Total Charges to Appropriations</b>	<b>4,697,673</b>	<b>5,797,673</b>	<b>8,904,475</b>	<b>(3,106,802)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (43,689,885)</b>	<b>\$ (43,534,885)</b>	<b>\$ (48,861,354)</b>	<b>\$ (5,326,469)</b>

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY REDEVELOPMENT AGENCY - DEBT SERVICE  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,471,172	\$ 4,471,172	\$ 4,471,172	\$ -
<b>Resources (Inflows):</b>				
Taxes	5,255,000	5,255,000	5,605,573	350,573
Use of money and property	60,000	60,000	53,341	(6,659)
Long term debt issued	-	-	4,225,000	4,225,000
Discount on long term debt issued	-	-	(51,544)	(51,544)
Transfers from other funds	357,530	798,663	798,663	-
<b>Amounts Available for Appropriation</b>	<b>10,143,702</b>	<b>10,584,835</b>	<b>15,102,205</b>	<b>4,517,370</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	142,161	142,161	126,406	15,755
Community development	979,161	979,161	-	979,161
Debt service:				
Principal	450,000	450,000	450,000	-
Interest and fiscal charges	1,001,823	1,001,823	893,116	108,707
Cost of issuance	-	-	259,232	(259,232)
Payment to refunded bond escrow	-	-	4,312,336	(4,312,336)
Pass-through agreement payments	2,083,040	2,083,040	2,380,896	(297,856)
Transfers to other funds	1,954,133	3,054,133	2,754,133	300,000
<b>Total Charges to Appropriations</b>	<b>6,610,318</b>	<b>7,710,318</b>	<b>11,176,119</b>	<b>(3,465,801)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 3,533,384</b>	<b>\$ 2,874,517</b>	<b>\$ 3,926,086</b>	<b>\$ 1,051,569</b>



## CITY OF HAWTHORNE

Schedule 5B

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC FINANCING AUTHORITY  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,119,143	\$ 1,119,143	\$ 1,119,143	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	5,000	5,000	3,252	(1,748)
Transfers from other funds	-	723,750	724,376	626
<b>Amounts Available for Appropriation</b>	<b>1,124,143</b>	<b>1,847,893</b>	<b>1,846,771</b>	<b>(1,122)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	12,422	12,422	12,022	400
Debt service:				
Principal	290,000	290,000	290,000	-
Interest and fiscal charges	430,128	430,128	430,128	-
<b>Total Charges to Appropriations</b>	<b>732,550</b>	<b>732,550</b>	<b>732,150</b>	<b>400</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 391,593</b>	<b>\$ 1,115,343</b>	<b>\$ 1,114,621</b>	<b>\$ (722)</b>

**BUDGETARY COMPARISON SCHEDULE  
POLICE FACILITY  
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Transfers from other funds	-	1,253,894	1,253,894	-
<b>Amounts Available for Appropriation</b>	<b>-</b>	<b>1,253,894</b>	<b>1,253,894</b>	<b>-</b>
<b>Charges to Appropriation (Outflow):</b>				
Debt Service:				
Principal	420,405	420,405	420,405	-
Interest and fiscal charges	833,489	833,489	799,439	34,050
<b>Total Charges to Appropriations</b>	<b>1,253,894</b>	<b>1,253,894</b>	<b>1,219,844</b>	<b>34,050</b>
<b>Budgetary Fund Balance, June 30</b>	<b><u><u>\$(1,253,894)</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 34,050</u></u></b>	<b><u><u>\$ 34,050</u></u></b>

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2005**

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Totals</u>
<b>Assets:</b>			
Current:			
Cash and investments	\$ -	\$ 45,122	\$ 45,122
Receivables:			
Accounts	67,280	20,072	87,352
<b>Total Current Assets</b>	<b>67,280</b>	<b>65,194</b>	<b>132,474</b>
Noncurrent:			
Capital assets - net of accumulated depreciation	2,838,373	198,805	3,037,178
<b>Total Noncurrent Assets</b>	<b>2,838,373</b>	<b>198,805</b>	<b>3,037,178</b>
<b>Total Assets</b>	<b>\$ 2,905,653</b>	<b>\$ 263,999</b>	<b>\$ 3,169,652</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 318,366	\$ 26,164	\$ 344,530
Accrued payroll payable	7,869	3,462	11,331
Deposits payable	36,768	-	36,768
Due to other governments	83	-	83
Due to other funds	68,027	-	68,027
<b>Total Current Liabilities</b>	<b>431,113</b>	<b>29,626</b>	<b>460,739</b>
Noncurrent:			
Compensated absences	139,097	-	139,097
<b>Total Noncurrent Liabilities</b>	<b>139,097</b>	<b>-</b>	<b>139,097</b>
<b>Total Liabilities</b>	<b>570,210</b>	<b>29,626</b>	<b>599,836</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	2,838,373	198,805	3,037,178
Unrestricted	(502,930)	35,568	(467,362)
<b>Total Net Assets</b>	<b>2,335,443</b>	<b>234,373</b>	<b>2,569,816</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,905,653</b>	<b>\$ 263,999</b>	<b>\$ 3,169,652</b>

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005**

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Sales and service charges	\$ 423,924	\$ 287,414	\$ 711,338
Miscellaneous	12,639	6,156	18,795
<b>Total Operating Revenues</b>	<b>436,563</b>	<b>293,570</b>	<b>730,133</b>
<b>Operating Expenses:</b>			
Source of supply	-	119,530	119,530
Cost of sales and services	-	85,267	85,267
Administration and general	823,599	238,558	1,062,157
Depreciation	164,895	23,933	188,828
<b>Total Operating Expenses</b>	<b>988,494</b>	<b>467,288</b>	<b>1,455,782</b>
Operating Income (Loss)	(551,931)	(173,718)	(725,649)
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	240,593	-	240,593
<b>Total Nonoperating Revenues (Expenses)</b>	<b>240,593</b>	<b>-</b>	<b>240,593</b>
Changes in Net Assets	(311,338)	(173,718)	(485,056)
<b>Net Assets:</b>			
Beginning of Fiscal Year	2,646,781	408,091	3,054,872
<b>End of Fiscal Year</b>	<b>\$ 2,335,443</b>	<b>\$ 234,373</b>	<b>\$ 2,569,816</b>

**STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005**

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 511,779	\$ 302,417	\$ 814,196
Cash paid to supplies for good and services	(17,254)	(197,589)	(214,843)
Cash paid to employees for services	(823,804)	(240,940)	(1,064,744)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(329,279)</b>	<b>(136,112)</b>	<b>(465,391)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Due to other funds	68,027	-	68,027
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>68,027</b>	<b>-</b>	<b>68,027</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchases of capital assets	-	(5,432)	(5,432)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(5,432)</b>	<b>(5,432)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	240,593	-	240,593
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>240,593</b>	<b>-</b>	<b>240,593</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(20,659)	(141,544)	(162,203)
Cash and Cash Equivalents at Beginning of Year	20,659	186,666	207,325
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ -</b>	<b>\$ 45,122</b>	<b>\$ 45,122</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (551,931)	\$ (173,718)	\$ (725,649)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	164,895	23,933	188,828
(Increase) decrease in accounts receivable	75,216	8,847	84,063
Increase (decrease) in accounts payable	(11,514)	7,208	(4,306)
Increase (decrease) in accrued liabilities	(10,363)	(2,382)	(12,745)
Increase (decrease) in deposits payable	(5,740)	-	(5,740)
Increase (decrease) in compensated absences payable	10,158	-	10,158
<b>Total Adjustments</b>	<b>222,652</b>	<b>37,606</b>	<b>260,258</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (329,279)</b>	<b>\$ (136,112)</b>	<b>\$ (465,391)</b>

**Non-Cash Investing, Capital, and Financing Activities:**

There were no non-cash activities during the year.

**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2005**

<b>Assets:</b>	<b>Equipment Replacement</b>	<b>Insurance Reserve</b>	<b>Total</b>
<b>Current:</b>			
Cash and investments	\$ 421,797	\$ 1,779,449	\$ 2,201,246
Receivables:			
Contracts and notes	310,000	-	310,000
Inventories	14,311	-	14,311
Deposits	-	125,000	125,000
<b>Total Current Assets</b>	<b>746,108</b>	<b>1,904,449</b>	<b>2,650,557</b>
<b>Noncurrent:</b>			
Capital assets - net of accumulated depreciation	1,216,720	-	1,216,720
<b>Total Noncurrent Assets</b>	<b>1,216,720</b>	<b>-</b>	<b>1,216,720</b>
<b>Total Assets</b>	<b>\$ 1,962,828</b>	<b>\$ 1,904,449</b>	<b>\$ 3,867,277</b>
<b>Liabilities and Fund Equity:</b>			
<b>Liabilities:</b>			
<b>Current:</b>			
Accounts payable	\$ 88,050	\$ 216,656	\$ 304,706
Accrued liabilities	5,060	3,969	9,029
Lease payable	54,241	-	54,241
<b>Total Current Liabilities</b>	<b>147,351</b>	<b>220,625</b>	<b>367,976</b>
<b>Noncurrent:</b>			
Claims payable	-	2,808,437	2,808,437
Compensated absences	50,816	-	50,816
Lease payable	56,507	-	56,507
<b>Total Noncurrent Liabilities</b>	<b>107,323</b>	<b>2,808,437</b>	<b>2,915,760</b>
<b>Total Liabilities</b>	<b>254,674</b>	<b>3,029,062</b>	<b>3,283,736</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	1,105,972	-	1,105,972
Unrestricted	602,182	(1,124,613)	(522,431)
<b>Total Net Assets</b>	<b>1,708,154</b>	<b>(1,124,613)</b>	<b>583,541</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,962,828</b>	<b>\$ 1,904,449</b>	<b>\$ 3,867,277</b>

**COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2005**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Sales and service charges	\$ 2,067,492	\$ 2,113,200	\$ 4,180,692
Miscellaneous	51,975	187,555	239,530
	<u>2,119,467</u>	<u>2,300,755</u>	<u>4,420,222</u>
<b>Total Operating Revenues</b>			
<b>Operating Expenses:</b>			
Materials and supplies	537,293	-	537,293
Contractual services	21,486	3,199,034	3,220,520
Administration and general	405,566	-	405,566
Depreciation	645,342	-	645,342
	<u>1,609,687</u>	<u>3,199,034</u>	<u>4,808,721</u>
<b>Total Operating Expenses</b>			
Operating Income (Loss)	<u>509,780</u>	<u>(898,279)</u>	<u>(388,499)</u>
Capital Contributions	119,475	-	119,475
Transfers Out	<u>(1,500,000)</u>	<u>-</u>	<u>(1,500,000)</u>
Change in Net Assets	(870,745)	(898,279)	(1,769,024)
<b>Net Assets:</b>			
Beginning of Fiscal Year	<u>2,578,899</u>	<u>(226,334)</u>	<u>2,352,565</u>
<b>End of Fiscal Year</b>	<u><b>\$ 1,708,154</b></u>	<u><b>\$ (1,124,613)</b></u>	<u><b>\$ 583,541</b></u>

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2005**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 2,119,467	\$ 2,307,085	\$ 4,426,552
Cash payments to supplies for good and services	(545,714)	(2,937,187)	(3,482,901)
Cash payments to employees for services	(539,563)	(6,329)	(545,892)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>1,034,190</u></b>	<b><u>(636,431)</u></b>	<b><u>397,759</u></b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash transfer to other funds	(1,500,000)	-	(1,500,000)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b><u>(1,500,000)</u></b>	<b><u>-</u></b>	<b><u>(1,500,000)</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital contributions	119,475	-	119,475
Purchases of capital assets	(296,573)	-	(296,573)
Principal paid on capital debt	(298,071)	-	(298,071)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>(475,169)</u></b>	<b><u>-</u></b>	<b><u>(475,169)</u></b>
<b>Cash Flows from Investing Activities:</b>			
Net Increase (Decrease) in Cash and Cash Equivalents	(940,979)	(636,431)	(1,577,410)
Cash and Cash Equivalents, Beginning of Year	1,362,776	2,415,880	3,778,656
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 421,797</u></b>	<b><u>\$ 1,779,449</u></b>	<b><u>\$ 2,201,246</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 509,780	\$ (898,279)	\$ (388,499)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	645,342	-	645,342
(Increase) decrease in accounts receivable	-	6,330	6,330
Increase (decrease) in accounts payable	13,065	39,061	52,126
Increase (decrease) in accrued liabilities	(12,939)	(6,329)	(19,268)
Increase (decrease) in compensated absences payable	(121,058)	-	(121,058)
Increase (decrease) in claims and judgments payable	-	222,786	222,786
<b>Total Adjustments</b>	<b><u>524,410</u></b>	<b><u>261,848</u></b>	<b><u>786,258</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 1,034,190</u></b>	<b><u>\$ (636,431)</u></b>	<b><u>\$ 397,759</u></b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
There were no non-cash activities during the year.			



## CITY OF HAWTHORNE

Schedule 12

COMBINING BALANCE SHEET  
ALL AGENCY FUNDS  
JUNE 30, 2005

	<u>Community Facilities District</u>	<u>City Agency</u>	<u>Totals</u>
<b>Assets:</b>			
Cash and investments	\$ 1,694,736	\$ 576,461	\$ 2,271,197
Restricted assets:			
Cash with fiscal agent	<u>7,053,741</u>	<u>-</u>	<u>7,053,741</u>
<b>Total Assets</b>	<b><u>\$ 8,748,477</u></b>	<b><u>\$ 576,461</u></b>	<b><u>\$ 9,324,938</u></b>
<b>Liabilities:</b>			
Accounts payable	\$ 84,754	\$ -	\$ 84,754
Accrued liabilities	621,000	-	621,000
Deposits	-	576,461	576,461
Due to bondholders	<u>8,042,723</u>	<u>-</u>	<u>8,042,723</u>
<b>Total Liabilities</b>	<b><u>\$ 8,748,477</u></b>	<b><u>\$ 576,461</u></b>	<b><u>\$ 9,324,938</u></b>

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED JUNE 30, 2005**

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b><u>Community Facilities District</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,491,956	\$ 3,392,713	\$ 3,189,933	\$ 1,694,736
Restricted assets				
Cash with fiscal agent	4,149,727	6,422,997	3,518,983	7,053,741
<b>Total Assets</b>	<b>\$ 5,641,683</b>	<b>\$ 9,815,710</b>	<b>\$ 6,708,916</b>	<b>\$ 8,748,477</b>
<b>Liabilities:</b>				
Accounts payable	\$ 50,223	\$ 122,059	\$ 87,528	\$ 84,754
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	4,970,460	7,564,841	4,492,578	8,042,723
<b>Total Liabilities</b>	<b>\$ 5,641,683</b>	<b>\$ 7,686,900</b>	<b>\$ 4,580,106</b>	<b>\$ 8,748,477</b>
<b><u>City Agency</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 69,119	\$ 5,366,106	\$ 4,858,764	\$ 576,461
<b>Total Assets</b>	<b>\$ 69,119</b>	<b>\$ 5,366,106</b>	<b>\$ 4,858,764</b>	<b>\$ 576,461</b>
<b>Liabilities:</b>				
Accounts payable	\$ 8,245	\$ 5,369,451	\$ 5,377,696	\$ -
Deposits payable	60,874	1,955,765	1,440,178	576,461
<b>Total Liabilities</b>	<b>\$ 69,119</b>	<b>\$ 7,325,216</b>	<b>\$ 6,817,874</b>	<b>\$ 576,461</b>
<b><u>All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,561,075	\$ 8,758,819	\$ 8,048,697	\$ 2,271,197
Restricted assets				
Cash with fiscal agent	4,149,727	6,422,997	3,518,983	7,053,741
<b>Total Assets</b>	<b>\$ 5,710,802</b>	<b>\$ 15,181,816</b>	<b>\$ 11,567,680</b>	<b>\$ 9,324,938</b>
<b>Liabilities:</b>				
Accounts payable	\$ 58,468	\$ 5,491,510	\$ 5,465,224	\$ 84,754
Accrued liabilities	621,000	-	-	621,000
Deposits payable	60,874	1,955,765	1,440,178	576,461
Due to bondholders	4,970,460	7,564,841	4,492,578	8,042,723
<b>Total Liabilities</b>	<b>\$ 5,710,802</b>	<b>\$ 15,012,116</b>	<b>\$ 11,397,980</b>	<b>\$ 9,324,938</b>

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>
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
2004-05	6,261,736	39,257,884	9,061,371	33,109,490	3,609,284	12,119,328	8,723,052	112,142,145

City of Hawthorne

General Governmental Revenues by Source  
Last Ten Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses &amp; Permits</u>	<u>From Other Agencies</u>	<u>Charges &amp; Services</u>	<u>Fines &amp; Forefeitures</u>	<u>Use of Money &amp; Property</u>	<u>Other Revenues</u>	<u>Total</u>
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
2004-05	36,246,203	1,710,830	47,720,210	2,116,506	1,760,049	307,913	1,520,956	91,382,667

City of Hawthorne

Property Tax Levies and Collections  
Last Ten Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>% of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Levy</u>	<u>Outstanding Delinquent Taxes</u>
1995-96	\$ 2,580,532	\$ 2,426,654	94.04%	\$ (48,436)	\$ 2,378,218	92.16%	\$ 153,878
1996-97	2,480,282	2,431,279	98.02%	21,650	2,452,929	98.90%	49,003
1997-98	2,125,879	2,078,183	97.76%	49,003	2,127,186	100.06%	47,696
1998-99	2,143,649	2,100,420	97.98%	21,463	2,121,883	98.98%	69,462
1999-00	2,208,069	2,130,246	96.48%	54,769	2,185,015	98.96%	38,911
2000-01	2,268,414	2,205,958	97.25%	59,807	2,265,765	99.88%	41,560
2001-02	2,388,338	2,321,680	97.21%	41,560	2,363,240	98.95%	66,658
2002-03	2,496,636	2,359,670	94.51%	188,554	2,548,224	102.07%	136,966
2003-04	2,708,536	2,562,740	94.62%	7,567	2,570,307	94.90%	199,900
2004-05	2,887,132	2,713,240	93.98%	231,713	2,944,953	102.00%	173,892

City of Hawthorne

Assessed Value of Taxable Property  
Last Ten Years

<u>Fiscal Year</u>	<u>Secured Valuation</u>	<u>Exemptions</u>	<u>Net Secured</u>	<u>Unsecured Valuation</u>	<u>Total Assessed Valuations</u>	<u>Less RDA Increment</u>	<u>Outstanding Net Valuations</u>
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
2004-05	3,719,130,494	37,932,921	3,681,197,573	172,972,482	3,854,170,055	912,067,634	2,942,102,421

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>
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
2004-05	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>
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%	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%	0
2004-05	778,464	772,205	99.2%	36,013



**City of Hawthorne**

**Computation of Legal Debt Margin  
June 30, 2005**

Total assessed value of all real and personal property	<u>\$ 3,892,102,976</u>
Legal debt margin limit- 15% of total assessed valuation	583,815,446
Amount of debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 583,815,446</u>

**City of Hawthorne**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2005**

2004-05 Assessed Valuation:	\$ 3,892,102,976
Redevelopment Incremental Valuation:	586,446,315
Adjusted Assessed Valuation:	<u>\$ 3,305,656,661</u>

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/05</u>
Los Angeles County	0.490 %	\$ 78,918
Los Angeles County Flood Control District	0.489	595,993
Metropolitan Water District	0.249	1,044,281
El Camino Community College District	5.492	3,107,374
Los Angeles Community College District	0.072	531,850
Los Angeles Unified School District	0.088	3,945,493
Centinela Valley Union High School District	31.678	17,652,566
Inglewood Unified School District	0.043	31,891
Hawthorne School District	96.412	32,441,803
Lawndale School District	18.998	4,160,562
Lennox School District	5.411	343,472
Wiseburn School District	6.780	3,092,926
City of Hawthorne Community Facilities District No. 1990-1	100.000	7,355,000
City of Hawthorne Community Facilities District No. 1999-1	100.000	14,990,000
City of Hawthorne Community Facilities District No. 2004-1	100.000	3,880,000
City of Hawthorne Parking Authority Community Facilities District No. 1	100.000	8,260,000
Los Angeles County Regional Park and Open Space Assessment District	0.487	1,702,990
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<u><u>103,215,119</u></u>

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.49%	6,766,621
Los Angeles County Pension Obligations	0.487	5,113,974
Los Angeles County Superintendent of Schools Certificates of Participation	0.487	115,743
Los Angeles Unified School District Certificates of Participation	0.088	527,695
Inglewood Unified School District Certificates of Participation	0.043	1,090
Hawthorne School District Certificates of Participation	96.412	3,996,245
Lawndale School District Certificates of Participation	18.998	2,564,730
<b>City of Hawthorne General Fund Obligations</b>	<b>100</b>	<b>12,295,000</b>
Los Angeles County Sanitation District No. 5 Authority	6.009	4,189,653
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<u><u>35,570,751</u></u>
Less : Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)		269,530
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<u><u>\$ 35,301,221</u></u>
<b>GROSS COMBINED TOTAL DEBT</b>	<b>(1)</b>	<u><u>\$ 138,785,870</u></u>
<b>NET COMBINED TOTAL DEBT</b>		<u><u>\$ 138,516,340</u></u>

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

Ratios to 2004-05 Assessed Valuation:  
Total Overlapping Tax and Assessment Debt 2.65%

Ratios to Adjusted Assessed Valuation:  
**Combined Direct Debt (\$12,295,000) 0.37%**  
Gross Combined Total Debt 4.20%  
Net Combined Total Debt 4.21%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$1,073

City of Hawthorne

Demographic Statistics  
Last Ten Years

<u>Fiscal Year</u>	<u>Population</u>	<u>School Enrollment</u>
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
2004-05	88,790	10,397

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>
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
2004-05	531	164	695		34,907,431	3,854,170,055

City of Hawthorne

Principal Taxpayers' Assessed Valuation  
June 30, 2005

<u>Rank</u>	<u>Name</u>	<u>Property Count #</u>	<u>Total Taxable Value</u>	<u>Percent of City-wide Taxable Value</u>
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, 2005**

Date of Incorporation	July 25, 1922
Form of Government	General Law Council/Manager
City Employees:	
Full-time	423
Part-time	135
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