

**CITY OF HAWTHORNE, CALIFORNIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2007**

CITY OF HAWTHORNE, CALIFORNIA

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TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Budgetary Comparison Statement - General Fund.....	19
Budgetary Comparison Statement - South Bay Workforce Investment Board .....	20
Statement of Net Assets - Proprietary Funds.....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	22
Statement of Cash Flows - Proprietary Funds .....	23
Statement of Fiduciary Net Assets - Fiduciary Funds .....	24
Notes to Financial Statements.....	25

CITY OF HAWTHORNE

JUNE 30, 2007

TABLE OF CONTENTS

Page  
Number

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Combining Balance Sheet - Nonmajor Governmental Funds .....	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	64
Budgetary Comparison Schedules - Nonmajor Governmental Funds - Special Revenue Funds	
Street Lighting .....	71
Gas Tax.....	72
Street.....	73
Asset Forfeiture.....	74
Anti Drug Abuse Grant.....	75
COPS .....	76
Local Law Enforcement Block Grant.....	77
High Intensity Drug Trafficking.....	78
Proposition A.....	79
Proposition C.....	80
Rosecrans/Aviation Project.....	81
Air Quality.....	82
Community Development Block Grant.....	83
HOME Grant .....	84
Housing Authority.....	85
California Used Oil Recycling .....	86
Budgetary Comparison Schedules - Capital Projects Funds	
Development Impact .....	87
Community Redevelopment Agency - Capital Project.....	88
Budgetary Comparison Schedules - Debt Service Funds	
Public Financing Authority.....	89
CIEDB Police Facility Obligation.....	90
2005 PERS Obligation Bonds.....	91
SBRPCA 2007 Series B Bond .....	92
Community Redevelopment Agency - Debt Service.....	93
Combining Statement of Net Assets - Nonmajor Proprietary Funds.....	94
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Proprietary Funds.....	95
Combining Statement of Cash Flows - Nonmajor Proprietary Funds .....	96

CITY OF HAWTHORNE

JUNE 30, 2007

TABLE OF CONTENTS

	<u>Page Number</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (Continued)	
Combining Statement of Net Assets - Internal Service Funds .....	97
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds.....	98
Combining Statement of Cash Flows - Internal Service Funds.....	99
Combining Balance Sheet - All Agency Funds.....	100
Statement of Changes in Assets and Liabilities - All Agency Funds.....	101

## 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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 statements 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General 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 January 14, 2008, 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.



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 combining and individual fund statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

*Lance, Soll & Lunghard, LLP*

January 14, 2008

## 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, 2007. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

#### **FINANCIAL HIGHLIGHTS**

- ◆ At June 30, 2007, the City's net assets (excess of assets over liabilities) were \$54.9 million. Of this amount, \$6.0 million is available to meet the City's ongoing operations.
- ◆ During the fiscal year ended June 30, 2007, the City's total net assets increased by \$15.2 million. This increase represents an increase in governmental activities of \$14.3 million. Business type activities showed an increase of \$879,000.
- ◆ At the end of the fiscal year ended June 30, 2007, unreserved fund balance for the General Fund was \$10.2 million, or 22 percent of total General Fund expenditures.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable. The City's component units consist of the following: the Housing Authority of the City of Hawthorne, the Community Redevelopment Agency of the City of Hawthorne, the Parking Authority of the City of Hawthorne, and the Hawthorne Public Financing Authority. These component units have been included in the basic financial statements as an integral part of the primary government using the blended method.

#### **Government-Wide Financial Statements**

The Government-Wide Financial Statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. 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.

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

The Statement of Activities presents information showing how the City's net assets changed during the year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows.



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 Administration, Public Safety, Public Works, Community Development, and Parks and Recreation. Property, business, hotel and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

*Business-Type Activities*

The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Airport and Sewer and Storm Drain activities are reported as business-type activities.

**Fund Financial Statements**

The fund financial statements provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law and bond covenants. However, management establishes 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 funding sources.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, proprietary and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report assets and liabilities and do not have a measurement focus.

*Governmental Funds*—The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

To better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Fund Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

The major governmental funds include the General Fund, the South Bay Workforce Investment Board Fund, and The Community Redevelopment Agency Capital Projects and Debt Service Funds, which are reported in detail in the Governmental Fund Financial Statements. All other funds are shown in the aggregate as other non-major funds. Individual fund data for other non-major governmental funds is provided in the form of supplementary information elsewhere in the report.

*Proprietary Funds*—The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses enterprise funds to account for its Airport and Sewer and Storm Drain operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Risk Management and Vehicles & Equipment. Because these services predominantly benefit the governmental rather than business-type activities, they have been included within governmental activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. The enterprise funds and internal service funds are each combined into a single aggregated presentation by fund type in the proprietary fund financial statements. Individual fund data for the enterprise funds and internal service funds is provided in the form of supplementary information elsewhere in the report.

*Fiduciary Funds*—The City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City’s other financial statements because the resources of these funds are not available to support the City’s own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Assets**

Net assets are a good indicator of the City’s financial position. For the fiscal year ended June 30, 2007, net assets of the City were \$54.9 million, which is an increase of \$15.2 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2007 and 2006.

City of Hawthorne Net Assets (dollars in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 87,755	\$ 71,733	\$ 1,165	\$ 121	\$ 88,920	\$ 71,854
Capital assets	116,359	70,250	3,291	2,913	119,650	73,163
Total Assets	<u>204,114</u>	<u>141,983</u>	<u>4,456</u>	<u>3,034</u>	<u>208,570</u>	<u>145,017</u>
Long-term liabilities outstanding	8,227	7,802	893	399	9,120	8,201
Other liabilities	144,515	97,155	85	36	144,600	97,191
Total Liabilities	<u>152,742</u>	<u>104,957</u>	<u>978</u>	<u>435</u>	<u>153,720</u>	<u>105,392</u>
Net assets:						
Invested in Capital Assets						
Net of Related Debt	33,274	13,502	3,292	2,913	36,566	16,415
Restricted	12,290	8,955			12,290	8,955
Unrestricted	5,808	14,570	187	(314)	5,995	14,256
Total Net Assets	<u>\$ 51,372</u>	<u>\$ 37,027</u>	<u>\$ 3,479</u>	<u>\$ 2,599</u>	<u>\$ 54,851</u>	<u>\$ 39,626</u>

Approximately \$33.3 million (65%) of the City’s governmental activities net assets consist of the City’s investment in capital assets such as land, buildings, machinery and equipment, less any related debt to acquire those assets that is still outstanding. These assets are used to provide services to the citizens of the City of Hawthorne; therefore, they are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s governmental activities net assets totaling approximately \$12.3 million (24%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5.8 million, 11%) may be used to meet the City’s ongoing obligations to citizens and creditors.

## Statement of Activities

### City of Hawthorne Changes in Net Assets (dollars in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 10,814	\$ 9,406	\$ 1,575	\$ 1,263	\$ 12,389	\$ 10,669
Operating contributions and grants	46,220	47,833	870	204	47,090	48,037
Capital contributions and grants	14,131	1,094	441		14,572	1,094
General revenues:						
Property taxes	19,072	14,989			19,072	14,989
Other taxes	26,916	25,868			26,916	25,868
Other	6,957	8,463	413	463	7,370	8,926
Total Revenues	<u>124,110</u>	<u>107,653</u>	<u>3,299</u>	<u>1,930</u>	<u>127,409</u>	<u>109,583</u>
Expenses:						
General government	12,114	14,736			12,114	14,736
Public safety	40,606	33,361			40,606	33,361
Community development	56,063	36,361			56,063	36,361
Parks and recreation	1,588	3,693			1,588	3,693
Public works	11,525	7,046			11,525	7,046
Interest on long-term debt	7,504	9,257			7,504	9,257
Airport			1,751	1,062	1,751	1,062
Sewer and storm drain			919	484	919	484
Total Expenses	<u>129,400</u>	<u>104,454</u>	<u>2,670</u>	<u>1,546</u>	<u>132,070</u>	<u>106,000</u>
Increase (decrease) in net assets before transfers	(5,290)	3,199	629	384	(4,661)	3,583
Transfers	(250)		250		0	0
Increase (decrease) in net assets	<u>(5,540)</u>	<u>3,199</u>	<u>879</u>	<u>384</u>	<u>(4,661)</u>	<u>3,583</u>
Net assets - 6/30/06, as restated	<u>56,912</u>	<u>33,828</u>	<u>2,599</u>	<u>2,215</u>	<u>59,511</u>	<u>36,043</u>
Net assets - 6/30/07	<u>\$ 51,372</u>	<u>\$ 37,027</u>	<u>\$ 3,478</u>	<u>\$ 2,599</u>	<u>\$ 54,850</u>	<u>\$ 39,626</u>

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2007 and 2006.

The City's net assets from governmental activities totaled \$51.4 million. The cost of all governmental activities this year was \$129.4 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$58.2 million because some of the cost was paid by those who directly benefited from the programs (\$10.8 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$60.4 million). Overall, the City's governmental program revenues were \$71.2 million. The City paid for the remaining "public benefit" portion of governmental activities with \$52.9 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest earnings and general entitlements.

#### Revenue highlights:

- ♦ Capital grants and contributions increased \$13 million in Fiscal Year 2006-07. This primarily relates to near completion of the Rosecrans-Aviation street widening project funded by state and federal grants.
- ♦ Revenue from the use of money and property increased \$1.4 million mostly due to higher investment interest rates and additional cash resulting from grants and the sale of bonds.

*Expense highlights:*

- ♦ Community Development expenses increased \$19.7 million due to debt service payments recorded to pay the Public Funding Requirement of the Redevelopment Agency under an Owner Participation Agreement. Proceeds of the 2006 Tax Allocation Bonds were used to satisfy the debt service.
- ♦ Parks and Recreation expenses decreased \$2.1 million because costs related to park maintenance, aquatics, and the youth camp were moved under the Public Works classification in fiscal year 2006-07.
- ♦ Public Works expenses increased \$4.5 million. \$2.1 million related to the reclassification of certain park maintenance costs. The remainder of the increase can be attributed to higher street related repairs and renovations.

**Business Type Activities**

The City's business-type activities increased net assets by \$879,000 (33.8 percent). Key elements of this increase are as follows:

*Revenue Highlights:*

- ♦ Total program revenues in business type activities increased by \$1.4 million primarily due to increased revenues from Federal Aviation Administration grants to cover the runway improvement project.

**FUND FINANCIAL STATEMENT ANALYSIS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of the end of Fiscal Year 2006-07, the City's governmental funds reported combined ending fund balance deficit of \$26.1 million, a favorable decrease of \$9.5 million in comparison with the prior fiscal year. Of this amount, \$23.8 million is reserved to indicate that it is not available for appropriation because it had already been committed for various purposes.

The General Fund is the chief operating fund of the City. At the end of Fiscal Year 2006-07, unreserved fund balance of the General Fund was \$10.2 million, while the total fund balance was \$31.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. At June 30, 2007, unreserved fund balance was 20.7 percent of total General Fund expenditures and transfers out, while total fund balance was 65.0 percent of total expenditures and transfers out.

The City's General Fund balance increased by \$4.0 million in Fiscal Year 2006-07 as compared to an increase of \$3.1 million in Fiscal Year 2005-06. This increase is principally related to increased contributions of \$3.2 million.

### ***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning these funds have already been addressed in the discussion of Government-wide Financial Analysis of business-type activities.

### ***CAPITAL ASSETS AND DEBT ADMINISTRATION***

#### ***Capital Assets Including Infrastructure***

Capital assets including infrastructure of the City are those assets that are used in the performance of the City's functions. At June 30, 2007, net capital assets totaled \$116.4 million for governmental activities and \$3.3 million for business-type activities, including depreciation on capital assets, which is recognized in the Government-Wide Financial Statements.

This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure (streets, sidewalks, traffic signals, etc.), and machinery and equipment. The total increase in the City's investment in capital assets for Fiscal Year 2006-07 was \$46.7 million, or 39 percent.

Major capital asset events in fiscal year 2006-07 included the recording of major infrastructure assets as required by GASB Statement No.34. These assets include streets, sidewalks, traffic signals and signs, parks and sewers. In order to comply with the GASB Statement, a comprehensive study was conducted to ascertain historical cost estimates for these types of assets. The total addition, net of related depreciation, was \$36.3 million.

### ***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, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 21,403,148	\$ 925,457	\$ 22,328,605
Receivables:			
Accounts	2,347,543	120,920	2,468,463
Accrued interest	301,057	-	301,057
Taxes	488,715	-	488,715
Contract and notes	6,570,729	-	6,570,729
Internal balances	391,054	(391,054)	-
Prepaid costs	1,403,067	-	1,403,067
Inventories	68,630	-	68,630
Unamortized debt issuance costs	2,336,609	-	2,336,609
Deposits	167,263	-	167,263
Due from other governments	22,116,855	509,310	22,626,165
Land held for resale	1,103,920	-	1,103,920
Net pension asset	25,663,570	-	25,663,570
Restricted assets:			
Cash with fiscal agent	3,393,206	-	3,393,206
Capital assets not being depreciated	11,063,582	37,314	11,100,896
Capital assets, net of depreciation	105,295,027	3,254,159	108,549,186
<b>Total Assets</b>	<b>204,113,975</b>	<b>4,456,106</b>	<b>208,570,081</b>
<b>Liabilities:</b>			
Accounts payable	4,145,371	797,830	4,943,201
Accrued liabilities	750,723	56,898	807,621
Accrued interest	1,529,008	-	1,529,008
Unearned revenue	754,961	34,498	789,459
Deposits payable	42,285	3,624	45,909
Due to other governments	1,004,940	83	1,005,023
Noncurrent liabilities:			
Due within one year	6,946,160	12,692	6,958,852
Due in more than one year	137,569,003	71,922	137,640,925
<b>Total Liabilities</b>	<b>152,742,451</b>	<b>977,547</b>	<b>153,719,998</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	33,273,876	3,291,473	36,565,349
Restricted for:			
Community development projects	2,823,454	-	2,823,454
Public safety	1,280,547	-	1,280,547
Capital projects	2,520,374	-	2,520,374
Debt service	5,665,560	-	5,665,560
Unrestricted	5,807,713	187,086	5,994,799
<b>Total Net Assets</b>	<b>\$ 51,371,524</b>	<b>\$ 3,478,559</b>	<b>\$ 54,850,083</b>

CITY OF HAWTHORNE

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 12,113,593	\$ 3,481,428	\$ 8,687,958	\$ -
Public safety	40,605,858	2,972,015	8,757,591	-
Community development	56,063,499	714,476	26,236,711	3,215,850
Parks and recreation	1,587,664	574,105	161,828	-
Public works	11,525,239	3,072,145	2,376,259	10,914,586
Interest on long-term debt	7,503,918	-	-	-
<b>Total Governmental Activities</b>	<b>129,399,771</b>	<b>10,814,169</b>	<b>46,220,347</b>	<b>14,130,436</b>
<b>Business-Type Activities:</b>				
Airport	1,751,218	265,280	870,185	441,402
Sewer and Storm Drain	919,175	1,309,228	-	-
<b>Total Business-Type Activities</b>	<b>2,670,393</b>	<b>1,574,508</b>	<b>870,185</b>	<b>441,402</b>
<b>Total Primary Government</b>	<b>\$ 132,070,164</b>	<b>\$12,388,677</b>	<b>\$47,090,532</b>	<b>\$ 14,571,838</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

Other

Gain on sale of assets

**Transfers**

**Total General Revenues and Transfers**

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

**Net Assets at End of Year**

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**Net (Expenses) Revenues and Changes in Net Assets**  
**Primary Government**

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<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ 55,793	\$ -	\$ 55,793
(28,876,252)	-	(28,876,252)
(25,896,462)	-	(25,896,462)
(851,731)	-	(851,731)
4,837,751	-	4,837,751
(7,503,918)	-	(7,503,918)
<b>(58,234,819)</b>	<b>-</b>	<b>(58,234,819)</b>
-	(174,351)	(174,351)
-	390,053	390,053
-	<b>215,702</b>	<b>215,702</b>
<b>(58,234,819)</b>	<b>215,702</b>	<b>(58,019,117)</b>
19,072,081	-	19,072,081
2,343,625	-	2,343,625
11,259,714	-	11,259,714
2,018,476	-	2,018,476
4,502,735	-	4,502,735
6,791,591	-	6,791,591
479,575	-	479,575
2,043,247	413,376	2,456,623
4,427,643	-	4,427,643
5,373	-	5,373
(250,000)	250,000	-
<b>52,694,060</b>	<b>663,376</b>	<b>53,357,436</b>
(5,540,759)	879,078	(4,661,681)
37,026,764	2,599,481	39,626,245
19,885,519	-	19,885,519
<b>\$ 51,371,524</b>	<b>\$ 3,478,559</b>	<b>\$ 54,850,083</b>



CITY OF HAWTHORNE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	General	Special Revenue Funds South Bay Workforce Invest. Board	Capital Projects Funds Community Redevelopment Agency
<b>Assets:</b>			
Cash and investments	\$ 4,578,560	\$ -	\$ 4,994,775
Receivables:			
Accounts	2,289,053	-	-
Accrued interest	123,898	-	74,399
Taxes	281,716	-	34,470
Contract and notes	-	-	272,688
Prepaid costs	640,570	-	-
Due from other governments	1,515,339	17,657,495	-
Due from other funds	3,519,100	-	-
Advances to other funds	60,144,634	-	-
Inventories	54,319	-	-
Land held for resale	-	-	1,103,920
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
<b>Total Assets</b>	<b><u>\$ 73,147,189</u></b>	<b><u>\$ 17,657,495</u></b>	<b><u>\$ 6,480,252</u></b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 790,047	\$ 532,557	\$ 368,229
Accrued liabilities	456,621	223,770	-
Due to other funds	-	928,825	3,348
Deferred revenue	39,955,162	29,932,835	272,688
Advances from other funds	-	-	60,144,634
Unearned revenue	-	-	-
Deposits payable	25,000	-	900
Due to other governments	472	387,182	-
<b>Total Liabilities</b>	<b><u>41,227,302</u></b>	<b><u>32,005,169</u></b>	<b><u>60,789,799</u></b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	65,705	-	-
Reserved for inventory	54,319	-	-
Reserved for prepaid costs	640,570	-	-
Reserved for compensated absences	-	41,224	-
Reserved for land held for resale	-	-	1,103,920
Reserved for advances to other funds	20,999,856	-	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Designated for debt service	-	-	-
Undesignated	10,159,437	(14,388,898)	(55,413,467)
<b>Total Fund Balances</b>	<b><u>31,919,887</u></b>	<b><u>(14,347,674)</u></b>	<b><u>(54,309,547)</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 73,147,189</u></b>	<b><u>\$ 17,657,495</u></b>	<b><u>\$ 6,480,252</u></b>

CITY OF HAWTHORNE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<b>Debt Service Funds Community Redevelopment Agency</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and investments	\$ 3,723,856	\$ 6,333,014	\$ 19,630,205
Receivables:			
Accounts	-	-	2,289,053
Accrued interest	-	102,760	301,057
Taxes	150,649	21,880	488,715
Contract and notes	-	5,988,041	6,260,729
Prepaid costs	-	762,497	1,403,067
Due from other governments	-	2,944,021	22,116,855
Due from other funds	3,348	-	3,522,448
Advances to other funds	-	-	60,144,634
Inventories	-	-	54,319
Land held for resale	-	-	1,103,920
Restricted assets:			
Cash and investments with fiscal agents	1,702,450	1,690,756	3,393,206
<b>Total Assets</b>	<b>\$ 5,580,303</b>	<b>\$ 17,842,969</b>	<b>\$ 120,708,208</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 2,096,986	\$ 3,787,819
Accrued liabilities	-	58,694	739,085
Due to other funds	-	1,771,813	2,703,986
Deferred revenue	-	7,467,910	77,628,595
Advances from other funds	-	-	60,144,634
Unearned revenue	-	754,961	754,961
Deposits payable	-	16,385	42,285
Due to other governments	-	617,286	1,004,940
<b>Total Liabilities</b>	<b>-</b>	<b>12,784,035</b>	<b>146,806,305</b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	-	135,899	201,604
Reserved for inventory	-	-	54,319
Reserved for prepaid costs	-	762,497	1,403,067
Reserved for compensated absences	-	-	41,224
Reserved for land held for resale	-	-	1,103,920
Reserved for advances to other funds	-	-	20,999,856
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	1,283,516	1,283,516
Capital projects funds	-	1,262,757	1,262,757
Debt service funds	-	1,614,265	1,614,265
Designated for debt service	5,580,303	-	5,580,303
Undesignated	-	-	(59,642,928)
<b>Total Fund Balances</b>	<b>5,580,303</b>	<b>5,058,934</b>	<b>(26,098,097)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,580,303</b>	<b>\$ 17,842,969</b>	<b>\$ 120,708,208</b>

CITY OF HAWTHORNE

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007**

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Fund balances of governmental funds	\$ (26,098,097)
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	115,257,097
Net pension asset relates to long-term liabilities, which are recorded when expended in the governmental fund statement, but these are accrued over the life of the pension obligation bond for government-wide statements.	25,663,570
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	2,467,701
Amortization over life of bonds through end of fiscal year	(131,092)
Long-term debt and compensated absences have not been included in the governmental fund activity:	
Notes payable	(20,554,211)
Lease payable	(313,032)
Lease payable - police facility	(18,686,758)
Loan payable - Section 108	(7,100,000)
Certificates of participation payable	(7,770,000)
Tax allocation bond payable	(46,084,007)
Pension obligation bond	(28,955,000)
SBRPCA 2007 Series B Bond	(3,870,637)
Compensated absences	(8,007,087)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds	(1,529,008)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	77,628,595
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	(546,510)
<b>Net assets of governmental activities</b>	<b><u>\$ 51,371,524</u></b>

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## CITY OF HAWTHORNE

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Special Revenue Funds South Bay Workforce Invest. Board	Capital Projects Funds Community Redevelopment Agency
<b>Revenues:</b>			
Taxes	\$ 37,859,278	\$ -	\$ 1,613,129
Licenses and permits	1,697,955	-	-
Intergovernmental	1,174,163	14,735,671	-
Charges for services	5,624,513	-	-
Use of money and property	196,663	-	284,765
Fines and forfeitures	1,957,784	-	-
Contributions	3,215,850	-	850,190
Miscellaneous	1,407,525	-	155,774
<b>Total Revenues</b>	<b>53,133,731</b>	<b>14,735,671</b>	<b>2,903,858</b>
<b>Expenditures:</b>			
Current:			
General government	5,597,879	-	2,473,874
Public safety	33,302,636	-	-
Community development	1,191,459	14,763,360	-
Parks and recreation	1,552,660	-	-
Public works	3,697,705	-	-
Capital outlay	215,244	49,714	-
Debt service:			
Principal retirement	196,089	-	281,492
Interest and fiscal charges	24,753	-	2,095,687
Cost of issuance	-	-	-
<b>Total Expenditures</b>	<b>45,778,425</b>	<b>14,813,074</b>	<b>4,851,053</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,355,306	(77,403)	(1,947,195)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	3,030,000
Transfers out	(3,331,204)	-	-
Long-term debt issued	-	-	1,125,000
Discount on long-term debt issued	-	-	-
Premium on long-term debt issued	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(3,331,204)</b>	<b>-</b>	<b>4,155,000</b>
Net Change in Fund Balances	\$ 4,024,102	\$ (77,403)	\$ 2,207,805
<b>Fund Balances:</b>			
Beginning of year, as originally reported	\$ 28,371,274	\$ (14,270,271)	\$ (56,517,352)
Restatements	(475,489)	-	-
Beginning of year, as restated	27,895,785	(14,270,271)	(56,517,352)
Net Change in Fund Balances	4,024,102	(77,403)	2,207,805
<b>Fund Balances, End of Year</b>	<b>\$ 31,919,887</b>	<b>\$ (14,347,674)</b>	<b>\$ (54,309,547)</b>

See Notes to Financial Statements

CITY OF HAWTHORNE

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	<u>Debt Service Funds</u>		
	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 7,104,432	\$ 536,078	\$ 47,112,917
Licenses and permits	-	714,476	2,412,431
Intergovernmental	-	33,178,433	49,088,267
Charges for services	-	417,193	6,041,706
Use of money and property	79,511	379,819	940,758
Fines and forfeitures	-	613,569	2,571,353
Contributions	-	2,947,016	7,013,056
Miscellaneous	-	3,069,057	4,632,356
<b>Total Revenues</b>	<b><u>7,183,943</u></b>	<b><u>41,855,641</u></b>	<b><u>119,812,844</u></b>
<b>Expenditures:</b>			
Current:			
General government	3,027,134	115,944	11,214,831
Public safety	-	5,959,130	39,261,766
Community development	26,699,810	13,263,781	55,918,410
Parks and recreation	-	-	1,552,660
Public works	-	6,863,107	10,560,812
Capital outlay	-	10,651,409	10,916,367
Debt service:			
Principal retirement	455,000	5,785,322	6,717,903
Interest and fiscal charges	1,660,178	3,131,992	6,912,610
Cost of issuance	1,680,920	247,549	1,928,469
<b>Total Expenditures</b>	<b><u>33,523,042</u></b>	<b><u>46,018,234</u></b>	<b><u>144,983,828</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(26,339,099)</u>	<u>(4,162,593)</u>	<u>(25,170,984)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	4,296,204	7,326,204
Transfers out	(2,895,000)	(1,350,000)	(7,576,204)
Long-term debt issued	29,085,000	3,925,000	34,135,000
Discount on long-term debt issued	-	(55,520)	(55,520)
Premium on long-term debt issued	887,904	-	887,904
<b>Total Other Financing Sources (Uses)</b>	<b><u>27,077,904</u></b>	<b><u>6,815,684</u></b>	<b><u>34,717,384</u></b>
Net Change in Fund Balances	<u>\$ 738,805</u>	<u>\$ 2,653,091</u>	<u>\$ 9,546,400</u>
<b>Fund Balances:</b>			
Beginning of year, as originally reported	\$ 4,841,498	\$ 1,930,354	\$ (35,644,497)
Restatements	-	475,489	-
Beginning of year, as restated	4,841,498	2,405,843	(35,644,497)
Net Change in Fund Balances	<u>738,805</u>	<u>2,653,091</u>	<u>9,546,400</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 5,580,303</u></b>	<b><u>\$ 5,058,934</u></b>	<b><u>\$ (26,098,097)</u></b>

See Notes to Financial Statements

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, 2007**

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Net change in fund balances - total governmental funds	\$ 9,546,400
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the 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	7,139,782
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.	(26,636,423)
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	(514,986)
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	(283,173)
The revenues not received within 90 days are deferred in the governmental funds. These revenues are fully recognized in the governmental activities.	3,193,679
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.	1,102,489
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities	<u>911,473</u>
<b>Change in net assets of governmental activities</b>	<b><u><u>\$ (5,540,759)</u></u></b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2007**

	<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	\$ 27,895,785	\$27,895,785	\$ 27,895,785	\$ -
<b>Resources (Inflows):</b>				
Taxes	36,296,700	38,006,295	37,859,278	(147,017)
Licenses and permits	1,436,000	1,705,750	1,697,955	(7,795)
Intergovernmental	2,607,616	1,324,490	1,174,163	(150,327)
Charges for services	3,846,250	5,537,729	5,624,513	86,784
Use of money and property	2,575,000	2,561,000	196,663	(2,364,337)
Fines and forfeitures	1,900,000	1,900,000	1,957,784	57,784
Contributions	200,000	3,215,850	3,215,850	-
Other	1,437,500	1,387,830	1,407,525	19,695
<b>Amounts Available for Appropriation</b>	<b>78,194,851</b>	<b>83,534,729</b>	<b>81,029,516</b>	<b>(2,505,213)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government				
Mayor and City Council	3,930,812	3,763,647	1,719,058	2,044,589
City Clerk	107,508	137,477	122,924	14,553
City Manager	475,568	550,546	526,361	24,185
City Treasurer	17,165	13,786	16,032	(2,246)
City Attorney	736,831	757,156	761,290	(4,134)
Finance	714,415	1,358,472	1,249,163	109,309
Licensing and Code Enforcement	863,724	1,170,895	1,203,051	(32,156)
Public safety				
Police	25,068,685	25,498,339	26,342,399	(844,060)
Fire Services Contract	7,038,870	7,038,870	6,960,237	78,633
Community Development				
Planning	391,952	380,101	382,488	(2,387)
Building and Safety	802,974	806,129	808,971	(2,842)
Parks and recreation	3,057,059	1,551,252	1,552,660	(1,408)
Public works	3,355,238	3,592,322	3,697,705	(105,383)
Debt service:				
Principal retirement	196,089	196,089	196,089	-
Interest and fiscal charges	21,482	21,482	24,753	(3,271)
Capital outlay	57,280	344,437	215,244	129,193
Transfers out	3,169,567	3,379,567	3,331,204	48,363
<b>Total Charges to Appropriations</b>	<b>50,005,219</b>	<b>50,560,567</b>	<b>49,109,629</b>	<b>1,450,938</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 28,189,632</b>	<b>\$ 32,974,162</b>	<b>\$ 31,919,887</b>	<b>\$ (1,054,275)</b>



CITY OF HAWTHORNE

BUDGETARY COMPARISON STATEMENT  
 SOUTH BAY WORKFORCE INVESTMENT BOARD  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$(14,270,271)	\$(14,270,271)	\$(14,270,271)	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	20,582,598	26,700,431	14,735,671	(11,964,760)
<b>Amounts available for appropriation</b>	<b>6,312,327</b>	<b>12,430,160</b>	<b>465,400</b>	<b>(11,964,760)</b>
<b>Charges to appropriation (outflow):</b>				
Community development	20,583,746	26,636,579	14,763,360	11,873,219
Capital outlay	-	65,000	49,714	15,286
<b>Total Charges to Appropriations</b>	<b>20,583,746</b>	<b>26,701,579</b>	<b>14,813,074</b>	<b>11,888,505</b>
<b>Budgetary fund balance, June 30</b>	<b>\$(14,271,419)</b>	<b>\$(14,271,419)</b>	<b>\$(14,347,674)</b>	<b>\$ (76,255)</b>

CITY OF HAWTHORNE

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2007

	Nonmajor Enterprise Funds	Governmental Activities- Internal Service Funds
<b>Assets:</b>		
Current:		
Cash and investments	\$ 925,457	\$ 1,772,943
Receivables:		
Accounts	120,920	58,491
Contracts and notes	-	310,000
Due from other governments	509,310	-
Deposits	-	167,263
Inventories	-	14,311
<b>Total Current Assets</b>	<b>1,555,687</b>	<b>2,323,008</b>
Noncurrent:		
Capital assets - net of accumulated depreciation	3,291,473	1,101,512
<b>Total Noncurrent Assets</b>	<b>3,291,473</b>	<b>1,101,512</b>
<b>Total Assets</b>	<b>\$ 4,847,160</b>	<b>\$ 3,424,520</b>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Current:		
Accounts payable	\$ 797,830	\$ 357,552
Accrued payroll payable	56,898	11,638
Due to other funds	130,353	688,109
Deposits payable	3,624	-
Due to other governments	83	-
Lease payable	-	109,890
Unearned revenue	34,498	-
Claims and judgments	-	1,233,107
Compensated absences	12,692	4,331
<b>Total Current Liabilities</b>	<b>1,035,978</b>	<b>2,404,627</b>
Noncurrent:		
Claims and judgments	-	1,802,558
Compensated absences	71,922	24,545
<b>Total Noncurrent Liabilities</b>	<b>71,922</b>	<b>1,827,103</b>
<b>Total Liabilities</b>	<b>1,107,900</b>	<b>4,231,730</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	3,291,473	991,622
Unrestricted	447,787	(1,798,832)
<b>Total Net Assets</b>	<b>3,739,260</b>	<b>(807,210)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,847,160</b>	<b>\$ 3,424,520</b>
<b>Reconciliation of Net Assets to the Statement of Net Assets</b>		
Net assets per Statement of Net Assets - Proprietary Funds	\$ 3,739,260	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	(321,047)	
Adjustments to reflect the consolidation of current year internal service funds activities related to enterprise funds	60,346	
<b>Net Assets per Statement of Net Assets</b>	<b>\$ 3,478,559</b>	

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Nonmajor Enterprise Funds	Governmental Activities- Internal Service Funds
<b>Operating Revenues:</b>		
Sales and service charges	\$ 1,528,925	\$ 5,239,177
Miscellaneous	45,583	352,423
<b>Total Operating Revenues</b>	<b>1,574,508</b>	<b>5,591,600</b>
<b>Operating Expenses:</b>		
Materials and supplies	189,870	686,694
Cost of sales and services	1,286,332	-
Contractual services	-	2,841,766
Administration and general	1,072,931	726,484
Depreciation	181,606	412,417
<b>Total Operating Expenses</b>	<b>2,730,739</b>	<b>4,667,361</b>
Operating Income (Loss)	(1,156,231)	924,239
<b>Nonoperating Revenues (Expenses):</b>		
Intergovernmental	870,185	-
Interest revenue	413,376	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,283,561</b>	<b>-</b>
Income (Loss) Before Capital Contributions and Transfers	127,330	924,239
Capital contributions	441,402	47,581
Transfers in	250,000	-
Changes in Net Assets	818,732	971,820
<b>Net Assets:</b>		
Beginning of Fiscal Year	2,920,528	(1,779,030)
<b>End of Fiscal Year</b>	<b>\$ 3,739,260</b>	<b>\$ (807,210)</b>
<b>Reconciliation of Changes in Net Assets to the Statement of Activities</b>		
Changes in Net Assets, Enterprise Funds	\$ 818,732	
Adjustment to reflect the consolidation of the internal service activities related to enterprise funds	60,346	
<b>Changes in Net Assets of Business-Type Activities</b>	<b>\$ 879,078</b>	

CITY OF HAWTHORNE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2007

	Nonmajor Enterprise Funds	Governmental Activities- Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers and users	\$ 1,616,432	\$ 5,542,736
Cash paid to supplies for goods and services	(1,065,573)	(3,727,522)
Cash paid to employees for services	(978,276)	(754,185)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(427,417)</b>	<b>1,061,029</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash transfers in	250,000	-
Due to other funds	(197,348)	305,016
Subsidy from grants	464,776	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>517,428</b>	<b>305,016</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(118,029)	-
Principal paid on capital debt	-	(126,769)
Interest paid on capital debt	-	(160,816)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(118,029)</b>	<b>(287,585)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	447,874	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>447,874</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>419,856</b>	<b>1,078,460</b>
Cash and Cash Equivalents at Beginning of Year	505,601	694,483
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 925,457</b>	<b>\$ 1,772,943</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ (1,156,231)	\$ 924,239
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation	181,606	412,417
(Increase) decrease in accounts receivable	38,994	(48,864)
Increase (decrease) in accounts payable	410,629	89,047
Increase (decrease) in accrued liabilities	45,705	692
Increase (decrease) in deposits payable	2,930	-
Increase (decrease) in claims and judgments	-	(288,109)
Increase (decrease) in compensated absences	48,950	(28,393)
<b>Total Adjustments</b>	<b>728,814</b>	<b>136,790</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (427,417)</b>	<b>\$ 1,061,029</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
Contribution of capital assets	\$ 441,402	\$ 47,581

CITY OF HAWTHORNE

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments	\$ 2,759,383
Receivables:	
Accounts	18,110
Restricted assets:	
Cash with fiscal agent	<u>17,403,699</u>
<b>Total Assets</b>	<b><u>\$ 20,181,192</u></b>
<b>Liabilities:</b>	
Accounts payable	\$ 132,221
Accrued liabilities	621,000
Deposits	1,012,547
Due to bondholders	<u>18,415,424</u>
<b>Total Liabilities</b>	<b><u>\$ 20,181,192</u></b>

**CITY OF HAWTHORNE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**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 consists 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 unit's 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

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

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

Redevelopment Agency is reported in the City's financial statements as the Redevelopment Capital Projects Fund and the Redevelopment Debt Service Fund. Separate financial statements for the Community Redevelopment Agency of the City of Hawthorne can be obtained by contacting the City of Hawthorne City Clerk.

**Parking Authority of the City of Hawthorne (Parking Authority)**

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

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

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

**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.

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 have 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.



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

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

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.
- 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.
- The Community Redevelopment Agency Debt Service Fund accounts for the accumulation of resources for payment of tax increment bonds and other redevelopment debt.

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, 2007. 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

Activities 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 its general infrastructure assets which include streets, sidewalks, storm drains, curbs and gutters, handicap ramps, trails and equestrian fences.

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:

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

**Claims and Judgments**

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.

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

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

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.

**e. 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 - 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 \$7,139,782 difference are as follows:

Capital outlay	\$ 11,722,231
Depreciation expense	<u>(4,582,449)</u>
Net adjustment to increase net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 7,139,782</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.

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

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

The detail of this (\$26,636,423) difference is as follows:

Debt issued or incurred:	
2006 Tax allocation bonds	\$ (29,085,000)
SBRPCA 2007 bond	(3,925,000)
Notes payable - AutoNation/Costco accrued unpaid interest	(1,125,000)
Bond discount	55,520
Bond premium	(887,904)
Debt issuance costs	1,928,469
Principal repayments:	
Tax allocation bonds	455,000
Notes payable	281,492
COP bonds payable	315,000
Pension obligation bonds	915,000
SBRPCA 2001 bond	3,765,000
Loans payable	790,322
Capital leases payable	196,089
Bond discount amortization	(3,735)
Bond premium amortization	29,596
Debt issuance costs amortization	(102,183)
Other:	
Net pension asset amortization	<u>(239,089)</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>\$ (26,636,423)</u>

Another element of that reconciliation states “the net changes in accrued interest for long-term debt.” The details of this (\$514,986) difference are as follows:

Net accrued interest for the current year:	
Tax allocation bonds current year accrued interest	\$ (795,675)
COP bonds current year accrued interest	(197,879)
SBRPCA 2007 bonds current year accrued interest	(65,899)
Loans payable - police facility current year accrued interest	(316,896)
Loans payable - section 108 current year accrued interest	(151,981)
Capital leases payable current year accrued interest	(678)
Tax allocation bonds prior year accrued interest	326,610
COP bonds prior year accrued interest	205,124
Loans payable - police facility prior year accrued interest	324,618
Loans payable - section 108 prior year accrued interest	156,369
Capital leases payable prior year accrued interest	<u>1,301</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>\$ (514,986)</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 2006-2007, the following funds had no adopted budgets:

- COPS in School Grant
- California Office of Traffic Safety Grant
- L.A. Clearinghouse LLEBG
- Urban Highway
- American Down Payment Dream Program
- SBRPCA 2001 Series B Bond

d. The following funds have deficits in fund balance or retained earnings:

Fund	Amount
Major Governmental Funds:	
South Bay Workforce Investment Board	\$ (14,347,674)
Community Redevelopment Agency - Debt Service	(54,309,547)
Nonmajor Governmental Funds:	
Special Revenue Funds	
Street	(430,922)
High Intensity Drug Trafficking	(216,710)
Rosecrans/Aviation Project	(2,394,611)
Home Grant	(91,359)
California Used Oil Recycling	(46,104)
SBRPCA 2001 Serie B Bond	(8,782)
Internal Service Funds:	
Insurance Reserve	(3,760,216)

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

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

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

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

Fund	Expenditures	Appropriations	Excess
Major Governmental Funds:			
General Fund:			
City treasurer	\$ 16,032	\$ 13,786	\$ 2,246
City attorney	761,290	757,156	4,134
Licensing and code enforcement	1,203,051	1,170,895	32,156
Police	26,342,399	25,498,339	844,060
Planning	382,488	380,101	2,387
Building and safety	808,971	806,129	2,842
Parks and recreation	1,552,660	1,551,252	1,408
Public works	3,697,705	3,592,322	105,383
Debt Service - Interest	24,753	21,482	3,271
Capital Projects Funds:			
Community Redevelopment Agency:			
Nonmajor Governmental Funds:			
Special Revenue Funds:			
Gas Tax:			
Public works	1,339,363	1,132,624	206,739
Street:			
Public works	2,159,084	1,982,659	176,425
Asset Forfeiture:			
Capital outlay	220,417	50,000	170,417
Anti Drug Abuse Grant			
Capital outlay	66,261	19,390	46,871
COPS:			
Public safety	4,679	2,871	1,808
Proposition C:			
Public works	1,205,888	1,150,351	55,537
Rosecrans Aviation Project:			
Capital outlay	10,166,289	9,825,188	341,101
Air Quality:			
Community development	121,885	116,054	5,831
Debt Service Funds:			
CIEDB Police Facility Lease Obligation			
General government	65,923	8,496	57,427

**III. DETAILED NOTES ON ALL FUNDS**

**Note 3: Cash and Investments**

As of June 30, 2007, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 24,796,354
Business-type activities	925,457
Fiduciary funds	20,163,082
Total Cash and Investments	<u>\$ 45,884,893</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, 2007, the carrying amount of the City's deposits was \$(603,745) and the bank balance was \$1,562,969. The \$(2,166,714) difference represents outstanding checks and other reconciling items.

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



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

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

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.

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, 2007, the City's investment in commercial paper consisted of investments with General Electric Corporation. At June 30, 2007, General Electric's commercial paper was rated "AAA" 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, 2007, 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, 2007, none of the City's deposits or investments were exposed to custodial credit risk.

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

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

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, 2007, the City has investments with Investment Agreements which exceed 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, 2007, the City had the following investments and original maturities:

	Remaining Investment Maturities		
	6 Months or Less	More Than 5 Years	Fair Value
Local Agency Investment Fund	\$ 25,691,733	\$ -	\$ 25,691,733
Cash with Fiscal Agents:			
Money Market Mutual Funds	16,312,760	-	16,312,760
Investment agreement	-	3,869,007	3,869,007
Commercial Paper	615,138	-	615,138
	<u>\$ 42,619,631</u>	<u>\$ 3,869,007</u>	<u>\$ 46,488,638</u>

The investment agreements are monies held by the fiscal agent and are not subject to the risks noted above. However, the funds' investment policies and practices with regard to the credit and market risks have been determined acceptable to the City's investment policies.

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

**Note 4: Changes in Capital Assets**

Capital assets activity for the year ended June 30, 2007, follows:

	Beginning Balance	Adjustments	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:						
Capital assets, not being depreciated:						
Land	\$ 7,388,529	\$ -	\$ 7,388,529	\$ -	\$ -	\$ 7,388,529
Investment in joint venture	1,035,523	2,869,795 *	3,905,318	-	(230,265)	3,675,053
Total Capital Assets, Not Being Depreciated	8,424,052	2,869,795	11,293,847	-	-	11,063,582
Capital assets, being depreciated:						
Structures and improvements	46,266,812	-	46,266,812	43,077	-	46,309,889
Machinery and equipment:						
City	16,367,453	-	16,367,453	248,786	-	16,616,239
Equipment Replacement	5,494,748	-	5,494,748	174,349	(293,368)	5,375,729
Parking Authority - structures	16,359,554	-	16,359,554	-	-	16,359,554
Infrastructure	18,818,873	64,458,812 **	83,277,685	11,660,634	-	94,938,319
Total Capital Assets, Being Depreciated	103,307,440	64,458,812	167,766,252	12,126,846	(293,368)	179,599,730
Less accumulated depreciation:						
Structures and improvements	10,026,676	-	10,026,676	1,440,641	-	11,467,317
Machinery and equipment:						
City	14,610,646	-	14,610,646	688,551	-	15,299,197
Equipment Replacement	4,155,169	-	4,155,169	412,418	(293,368)	4,274,219
Parking authority - structures	11,676,085	-	11,676,085	408,989	-	12,085,074
Infrastructure	1,012,979	28,121,650 **	29,134,629	2,044,267	-	31,178,896
Total Accumulated Depreciation	41,481,555	28,121,650	69,603,205	4,994,866	(293,368)	74,304,703
Total Capital Assets, Being Depreciated, Net	61,825,885	36,337,162	98,163,047	7,131,980	-	105,295,027
Governmental Activities Capital Assets, Net	<u>\$ 70,249,937</u>	<u>\$ 39,206,957</u>	<u>\$ 109,456,894</u>	<u>\$ 7,131,980</u>	<u>\$ -</u>	<u>\$ 116,358,609</u>

\*Adjustment was made to increase the investment in Joint Venture.

\*\*Adjustments were made to capitalize prior year infrastructure in accordance with GASB Statement No. 34.

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

**Note 4: Changes in Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 37,314	\$ -	\$ -	\$ 37,314
Total Capital Assets, Not Being Depreciated	37,314	-	-	37,314
Capital assets, being depreciated:				
Structures and improvements	1,630,565	-	-	1,630,565
Machinery and equipment	22,750	-	-	22,750
Infrastructure	14,045,937	559,431	-	14,605,368
Total Capital Assets, Being Depreciated	15,699,252	559,431	-	16,258,683
Less accumulated depreciation:				
Structures and improvements	1,132,211	50,212	-	1,182,423
Machinery and equipment	19,172	596	-	19,768
Infrastructure	11,671,535	130,798	-	11,802,333
Total Accumulated Depreciation	12,822,918	181,606	-	13,004,524
Total Capital Assets, Being Depreciated, Net	2,876,334	377,825	-	3,254,159
Business-Type Activities Capital Assets, Net	<u>\$ 2,913,648</u>	<u>\$ 377,825</u>	<u>\$ -</u>	<u>\$ 3,291,473</u>

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

Governmental Activities:	
General government	\$ 705,235
Public safety	1,583,084
Public work	2,096,952
Community development	97,141
Parks and recreation	100,037
Internal service fund - equipment replacement	412,417
Total Governmental Activities	<u>\$ 4,994,866</u>
Business-Type Activities:	
Airport	\$ 154,608
Sewer and storm drain	26,998
Total Business-Type Activities	<u>\$ 181,606</u>

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

**Note 5: Interfund Receivable, Payable and Transfers**

The composition of interfund balances as of June 30, 2007, is as follows:

**Due To/From Other Funds**

	Due to Other Funds					Total
	South Bay Workforce Invest. Board	Capital Projects - Community Redevelopment Agency	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service	
<u>Due From Other Funds</u>						
General	\$ 928,825	\$ -	\$ 1,771,813	\$ 130,353	\$ 688,109	\$ 3,519,100
Debt Service - Community Redevelopment Agency	-	3,348	-	-	-	3,348
<u>Total</u>	<u>\$ 928,825</u>	<u>\$ 3,348</u>	<u>\$ 1,771,813</u>	<u>\$ 130,353</u>	<u>\$ 688,109</u>	<u>\$ 3,522,448</u>

The due to the General Fund of \$3,519,100 from the South Bay Workforce Investment Board Fund, nonmajor governmental funds, non-major enterprise funds and internal service funds was to cover temporary deficit cash balances.

**Advances to/from Other Funds**

Advances from Other Funds	Advances to Other Funds General Fund
Capital Projects - Community Redevelopment Agency	<u>\$ 60,144,634</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, 2007, loans with accrued unpaid interest amounted to \$60,144,634.

**Interfund Transfers**

Transfers In	Transfers Out			Total
	General Fund	Debt Service - Community Redevelopment Agency	Nonmajor Governmental Funds	
Capital Projects - Community Redevelopment Agency	\$ 135,000	\$ 2,895,000	\$ -	\$ 3,030,000
Nonmajor Funds	2,946,204	-	1,350,000	4,296,204
Nonmajor Enterprise Funds	250,000	-	-	250,000
<u>Total</u>	<u>\$ 3,331,204</u>	<u>\$ 2,895,000</u>	<u>\$ 1,350,000</u>	<u>\$ 7,576,204</u>

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

**Note 5: Interfund Receivable, Payable and Transfers (Continued)**

The transfer from the general fund to non-major funds for \$2,946,204 was to cover prior year deficits in the Housing Authority Fund for \$650,000 and for debt service contributions on the 1997 COP bond in the amount of \$764,074, debt service contributions for the police facility loan in the amount of \$1,282,567, and debt service for the SBRPCA bonds for \$249,563. The transfer out to the Capital Projects – Community Redevelopment Agency fund was to cover administrative and capital project costs. The transfer from the general fund to non-major enterprise funds for \$250,000 was to cover prior year deficits.

The transfer in of \$3,030,000 to the Capital Projects - Community Redevelopment Agency was to cover administrative costs and fund capital projects.

The transfer out of non-major funds of \$1,350,000 was from the Gas Tax Fund to the Street Fund to fund public works projects.

**Note 6: Long-Term Debt**

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

	Beginning Balance at July 1, 2006	Beginning Adjustments*	Adjusted Beginning Balance at July 1, 2006	Additions	Deletions	Ending Balance at June 30, 2007	Due Within One Year
<b>Governmental Funds:</b>							
City:							
Certificates of participation	\$ 8,085,000	\$ -	\$ 8,085,000	\$ -	\$ 315,000	\$ 7,770,000	\$ 330,000
Compensated absences	7,723,915	-	7,723,915	2,502,547	2,219,374	8,007,088	2,300,740
Lease payable	509,121	-	509,121	-	196,089	313,032	204,709
Lease payable - police facility	19,142,080	-	19,142,080	-	455,322	18,686,758	473,854
Section 108 loan payable	7,435,000	-	7,435,000	-	335,000	7,100,000	475,000
SBRPCA 2001 Series B Bond	3,765,000	-	3,765,000	-	3,765,000	-	-
SBRPCA 2007 Series B Bond	-	-	-	3,925,000	-	3,925,000	85,000
2005 Pension Obligation Bonds	29,870,000	-	29,870,000	-	915,000	28,955,000	1,055,000
<b>Total City</b>	<b>76,530,116</b>	<b>-</b>	<b>76,530,116</b>	<b>6,427,547</b>	<b>8,200,785</b>	<b>74,756,878</b>	<b>4,924,303</b>
Internal Service Funds:							
Claims and judgments	3,323,774	-	3,323,774	1,062,030	1,350,139	3,035,665	1,233,107
Compensated absences	57,269	-	57,269	4,175	32,568	28,876	4,331
Lease payable	270,706	-	270,706	-	160,816	109,890	109,890
<b>Total Internal Service Funds</b>	<b>3,651,749</b>	<b>-</b>	<b>3,651,749</b>	<b>1,066,205</b>	<b>1,543,523</b>	<b>3,174,431</b>	<b>1,347,328</b>
Redevelopment Agency:							
Tax allocation refunding bonds	16,800,000	-	16,800,000	29,085,000	455,000	45,430,000	545,000
Notes payable	389,264	19,321,438	19,710,702	1,125,000	281,492	20,554,210	129,529
<b>Total Redevelopment</b>	<b>17,189,264</b>	<b>19,321,438</b>	<b>36,510,702</b>	<b>30,210,000</b>	<b>736,492</b>	<b>65,984,210</b>	<b>674,529</b>
<b>Total Governmental Long-Term Obligations</b>	<b>\$ 97,371,129</b>	<b>\$ 19,321,438</b>	<b>\$ 116,692,567</b>	<b>\$ 37,703,752</b>	<b>\$ 10,480,800</b>	<b>143,915,519</b>	<b>\$ 6,946,160</b>
			Less:				
			Net unamortized bond discount			(99,429)	
			Net unamortized bond premium			858,308	
			Net unamortized bond defeasance loss			(159,235)	
						<u>\$ 144,515,163</u>	

\* Beginning adjustments are to record the AutoNation/Costco note payable including interest which was issued in a prior year but was not reflected in the beginning balance.

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

**Note 6: Long-Term Debt (Continued)**

Hawthorne Public Financing Authority

Certificates of Participation

Certificates of participation (COP) were issued in the amount of \$9,950,000 with interest rate varying from 3.9% to 5.2% payable on January 1 and July 1 of each year. The certificates mature on July 1, 2022. The certificates contain certain restrictive covenants. The City's management believes it has complied with all applicable covenants during the year ended June 30, 2007. The annual principal requirements to amortize the Public Financing Authority COP's outstanding as of June 30, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 330,000	\$ 388,003
2009	345,000	371,968
2010	360,000	354,868
2011	380,000	336,738
2012	395,000	317,651
2012-2017	2,310,000	1,256,866
2017-2022	2,960,000	579,666
2022-2023	690,000	17,940
Total Debt Service	<u>\$ 7,770,000</u>	<u>\$ 3,623,700</u>

SBRPCA 2001 Series B Bonds

The SBRPCA 2001 Series B bonds were originally issued in the amount of \$4,300,000 with variable interest rate payable monthly and annual principal payments due on January 1 of each year. The interest rate is determined on a weekly basis by Morgan Stanley & Co. The bonds mature on July 1, 2031 and were issued to finance a portion of the costs of acquisition, construction, installation, and equipping the emergency communications facilities project with South Bay Regional Public Communications Authority (SBRPCA) for use by the City of Hawthorne. In January 2007, these bonds were currently defeased with the issuance of the SBRPCA 2007 Series B Bonds.

SBRPCA Refunding Revenue Bonds 2007 Series B Bonds

On January 2007, the SBRPCA Refunding Revenue Bonds 2007 Series B were issued in the amount of \$3,925,000 to currently refund \$3,615,000 in SBRPCA 2001 Series B Bonds and provide additional funds to pay for certain capital project improvements. The bonds consist of serial bonds maturing in the years 2008 to 2021 are payable January 1 in annual installments of \$85,000 to \$165,000. The bonds bear interest at 3.70% to 4.375%. Bonds maturing after January 1, 2021 in the amount of \$2,135,000 are term bonds and bear interest at 4.60 to 4.75%.

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

**Note 6: Long-Term Debt (Continued)**

The total debt service payment requirements with respect to the above bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 85,000	\$ 152,481
2009	105,000	170,020
2010	105,000	166,083
2011	110,000	162,145
2012	115,000	157,883
2012-2017	650,000	715,919
2017-2022	795,000	568,653
2022-2027	990,000	372,518
2027-2032	970,000	118,038
Total Debt Service	<u>\$ 3,925,000</u>	<u>\$ 2,583,740</u>

**2005 Pension Obligation Bonds**

In September 2005, the City issued \$30,480,000 pension obligation bonds to fund the City's actuarial accrued liability. The bonds bear interest at 5.018% and the principal mature in amounts ranging from \$610,000 to \$3,715,000. The annual principal requirements to amortize the 2005 Pension Obligation Bonds outstanding as of June 30, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,055,000	\$ 1,452,962
2009	1,205,000	1,400,022
2010	1,365,000	1,339,555
2011	1,535,000	1,271,059
2012	1,720,000	1,194,033
2012-2017	11,830,000	4,467,525
2017-2022	10,245,000	1,058,045
Total Debt Service	<u>\$ 28,955,000</u>	<u>\$ 12,183,201</u>

**Compensated Absences**

As discussed in Note 1 of the financial statements for 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.



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

**Note 6: Long-Term Debt (Continued)**

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 agreements as of June 30, 2007:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 204,709	\$ 9,796
2009	97,702	2,405
2010	10,621	62
Total Debt Service	<u>\$ 313,032</u>	<u>\$ 12,263</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, 2007:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 109,890	\$ 5,879
Total Debt Service	<u>\$ 109,890</u>	<u>\$ 5,879</u>

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, 2007, 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>
2008	\$ 473,854	\$ 750,909
2009	493,140	731,230
2010	513,210	710,750
2011	534,098	689,438
2012	555,836	667,257
2012-2017	3,137,503	2,970,674
2017-2022	3,830,115	2,263,967
2022-2027	4,675,623	1,401,251
2027-2032	<u>4,473,379</u>	<u>373,204</u>
Total Debt Service	<u>\$ 18,686,758</u>	<u>\$ 10,558,680</u>

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

**Note 6: Long-Term Debt (Continued)**

Section 108 Loan

Section 108 Loan of \$7,800,000 was advanced to the City 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>
2008	\$ 475,000	\$ 356,113
2009	475,000	337,930
2010	475,000	318,103
2011	475,000	296,936
2012	475,000	274,666
2012-2017	1,905,000	1,060,606
2017-2022	1,775,000	568,966
2022-2027	1,045,000	92,632
Total Debt Service	<u>\$ 7,100,000</u>	<u>\$ 3,305,952</u>

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.

\$ 8,215,000

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.

3,905,000

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 semi-annually 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

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

**Note 6: Long-Term Debt (Continued)**

In July 2006, the Agency issued Project Area No. 2 Tax Allocations Bonds, Series 2006 in the amount of \$29,085,000. The proceeds of the Bonds were used to (a) provide funds to prepay the Public Funding Requirement of the Agency under the Owner Participation Agreement (OPA) dated September 26, 2003, and as amended by the Second Implementation Agreement as of July 11, 2006, with SAMS Venture, LLC, (b) provide for capitalized interest on the Bonds for a limited period of time, (c) obtain a Reserve Account Surety Bond, and (d) pay the costs of issuing the Bonds. The Bonds are payable from and secured by tax increment revenues arising from Project Area No 2 on a parity basis with the 1998 Bonds and the 2004 Bonds. The bonds consist of \$3,950,000 serial bonds with annual maturity dates from September 1, 2011 through September 1, 2016, bearing interest ranging from 4.0% to 4.125%; \$9,485,000 term bonds bearing interest of 5.0% and maturing September 1, 2026; and \$15,650,000 term bonds bearing interest of 5.25% and maturing September 1, 2036. The balance at June 30, 2007, amounted to \$29,085,000.

29,085,000

Total Community Redevelopment Agency Tax Allocation  
Refunding Bonds

\$ 45,430,000

Each of the four 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, 2007.

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, 2007, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 545,000	\$ 2,274,311
2009	680,000	2,245,823
2010	710,000	2,213,188
2011	750,000	2,177,913
2012	1,380,000	2,128,306
2012-2017	7,910,000	9,600,027
2017-2022	9,615,000	7,378,484
2022-2027	8,190,000	5,011,650
2027-2032	6,830,000	3,248,438
2032-2037	8,820,000	1,204,875
Total Debt Service	<u>\$ 45,430,000</u>	<u>\$ 37,483,015</u>

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

**Note 6: Long-Term Debt (Continued)**

Notes Payable

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, 2007. At June 30, 2007, the outstanding balance on the note payable was \$268,773.

AutoNation / Costco Note

A first implementation agreement to a Disposition and Development Agreement (DDA) was entered with certain developers in August 2000, paying interest at 9.0%. 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 these taxes are generated within the project site. The balance at June 30, 2007, amounted to \$20,285,438 including accrued interest of \$7,785,438.

Claims and Judgments

As of June 30, 2007, 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, 2007, total estimated claims payable were \$3,035,665.

Non-City Obligation Debt - Special Assessment Bonds

Assessment District 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, 2007, the bonds outstanding from these Community Facility Districts totaled \$20,825,000.

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

**Note 6: Long-Term Debt (Continued)**

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, 2007, the bonds outstanding from this Community Facility District totaled \$3,880,000.

On November 21, 2006, the City of Hawthorne issued the 2006 Special Tax Bonds totaling \$14,755,000 for its Community Facilities District No. 2006-1 (Three Sixty Degrees @ South Bay) to finance the acquisition of an easement and certain public facilities in the vicinity of the District. The bonds are payable solely from Special Tax Revenues levied upon the District. As of June 30, 2007, the bonds outstanding from this Community Facility District totaled \$14,755,000.

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

**Special Tax Refunding Bonds**

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, 2007, the Special Tax Refunding Bonds outstanding totaled \$7,950,000.

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

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

**Note 7: Restatement of Fund Balances/Net Assets**

Beginning fund equity has been restated as follows:

Major Governmental Funds:

General Fund

To reimburse the Gas Tax fund \$370,220 for prior year liability insurance expenditures allocation and to reimburse the Air Quality fund \$105,269 for prior year disallowed expenditures. \$ (475,489)

Nonmajor Governmental Funds:

Gas Tax

To reclass prior year liability insurance expenditures allocation to the General Fund. \$ 370,220

Air Quality

To reclass prior year disallowed expenditures to the General Fund \$ 105,269

Net assets have been restated as follows:

Governmental Activities:

To record the prior year balance for AutoNation/Costco note payable. \$ (19,321,438)

To record prior years Joint Venture additions in capital assets. 2,869,795

To record prior years Infrastructure additions and accumulated depreciation in accordance to GASB Statement No. 34. 36,337,162

Total restatements \$ 19,885,519

**IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Note 8: 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 8: 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 11.892% for miscellaneous employees and 18.156% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2007 the City's annual pension cost of \$3,512,228 for PERS was equal to the City's required actual contributions. The required contribution was determined as part of the June 30, 2006, 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) 3.25% to 14.45% projected salary increase. 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
6/30/2005	\$ 4,434	100%	\$ -
6/30/2006	4,297	100%	\$ -
6/30/2007	3,512	100%	\$ -

Schedule of Funding Progress for PERS (Most Recent Available)  
Miscellaneous Plan of the City of Hawthorne  
(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2004	\$ 73,728	\$ 93,306	\$ 19,578	79.0 %	\$ 17,352	112.8 %
6/30/2005	81,473	105,163	23,690	77.5 %	17,548	135.0 %
6/30/2006	105,513	111,982	6,469	94.2 %	16,830	38.4 %

For fiscal year 2006-2007, the City of Hawthorne safety plan participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was

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

**Note 8: Retirement Plans (Continued)**

done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003, valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

**Note 9: Other Post-Employment Benefits**

In addition to the PERS pension benefits described in Note 8, 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.

**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, 2007, expenditures of approximately \$1,463,554 were recognized for all three employee categories by the City for post-employment health insurance, and were accounted for and financed on a pay-as-you-go basis. As of June 30, 2007, there were 214 retirees and dependent spouses receiving post-employment benefits.



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

**Note 10: 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 \$3,035,665 reported in the fund at June 30, 2007, is based on the requirements of Governmental Accounting Standards Board Statement No.10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amounts in the fiscal years 2006 and 2007, were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2005-2006	2,808,437	1,435,245	(919,908)	3,323,774
2006-2007	3,323,774	1,062,030	(1,350,139)	3,035,665

**Note 11: Commitments and Contingencies**

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

**Developer Agreements**

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

**Oceangate Development**

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

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

**Note 11: Commitments and Contingencies (Continued)**

On July 23, 2001, the Redevelopment Agency of the City of Hawthorne approved the Sixth Implementation Agreement to the Owner Participation Agreement with Oceangate Properties, Inc. With the approval of this agreement and the subsequent Developer Disposition Agreement, the area of land that formerly occupied the Mattel buildings is now 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.

**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 user's tax through Proposition R. The proposition did not pass. The City imposed a 5% tax after the failure of Proposition R.

**Note 12: 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 2006-2007, the City was assessed \$2,487,280, 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.

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

**Note 12 Joint Ventures (Continued)**

As of and for the year ended June 30, 2006, SBRPCA's audited financial information is as follows\*:

Authority retained earnings, beginning of year		\$ 1,858,055
Net Increase in Authority Retained Earnings		<u>434,757</u>
Authority Retained Earnings, End of Year		<u>\$ 2,292,812</u>
Cash and investments	\$ 1,939,898	
Capital assets	8,175,868	
Other assets	<u>1,173,175</u>	
Total Assets		<u>\$ 11,288,941</u>
Liabilities	\$ 8,996,129	
Authority equity	<u>2,292,812</u>	
Total Liabilities and Authority Equity		<u>\$ 11,288,941</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.

**SBWIB**

The South Bay Workforce Investment Board (SBWIB), a consortium formed by the Cities of Carson, 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 SBWIB is appointed by each member city; the SBWIB is not fiscally dependent on the primary government, and as such, the SBWIB is not considered a component unit of the City of Hawthorne. Federal, state and local grants fund the SBWIB and its purpose is to assist participants in job training and development. The financial information for SBWIB is recorded in the Special Revenue Funds as the South Bay Workforce Investment Board. Separate financial statements are not prepared.

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CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
<b>Assets:</b>				
Cash and investments	\$ 677,636	\$ 1,138,247	\$ -	\$ 710,971
Receivables:				
Accrued interest	13,103	25,000	-	13,969
Taxes	11,672	-	10,208	-
Contracts and notes	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	241,834	24,584	144,262
Restricted assets:				
Cash and investments with fiscal agent	-	-	-	-
<b>Total Assets</b>	<b>\$ 702,411</b>	<b>\$ 1,405,081</b>	<b>\$ 34,792</b>	<b>\$ 869,202</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 55,498	\$ 111,448	\$ 313,712	\$ 22,293
Accrued liabilities	1,085	-	16,020	2,822
Due to other funds	-	-	135,982	-
Deferred revenue	-	-	-	-
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
<b>Total Liabilities</b>	<b>56,583</b>	<b>111,448</b>	<b>465,714</b>	<b>25,115</b>
<b>Fund Balances:</b>				
Fund balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	645,828	1,293,633	(430,922)	844,087
<b>Total Fund Balances</b>	<b>645,828</b>	<b>1,293,633</b>	<b>(430,922)</b>	<b>844,087</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 702,411</b>	<b>\$ 1,405,081</b>	<b>\$ 34,792</b>	<b>\$ 869,202</b>

## CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

(CONTINUED)

	Special Revenue Funds			
	Anti Drug Abuse Grant	COPS	COPS in School Grant	California Office of Traffic Safety Grant
<b>Assets:</b>				
Cash and investments	\$ 79,464	\$ 342,495	\$ 14,048	\$ 7,419
Receivables:				
Accrued interest	-	6,293	-	-
Taxes	-	-	-	-
Contracts and notes	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	40,599	-	-	20,739
Restricted assets:				
Cash and investments with fiscal agent	-	-	-	-
<b>Total Assets</b>	<b>\$ 120,063</b>	<b>\$ 348,788</b>	<b>\$ 14,048</b>	<b>\$ 28,158</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 88,335	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
<b>Total Liabilities</b>	<b>88,335</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Fund balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	31,728	348,788	14,048	28,158
<b>Total Fund Balances</b>	<b>31,728</b>	<b>348,788</b>	<b>14,048</b>	<b>28,158</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 120,063</b>	<b>\$ 348,788</b>	<b>\$ 14,048</b>	<b>\$ 28,158</b>

## CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Special Revenue Funds			
	L.A. Clearinghouse LLEBG	Local Law Enforcement Block Grant	Urban Highway	High Intensity Drug Trafficking
<b>Assets:</b>				
Cash and investments	\$ 1,087	\$ 185,212	\$ 4,736	\$ 89,443
Receivables:				
Accrued interest	-	3,463	-	-
Taxes	-	-	-	-
Contracts and notes	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	200,027
Restricted assets:				
Cash and investments with fiscal agent	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,087</b>	<b>\$ 188,675</b>	<b>\$ 4,736</b>	<b>\$ 289,470</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 417	\$ 306,153
Accrued liabilities	-	4,528	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	200,027
Unearned revenue	-	175,815	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>180,343</b>	<b>417</b>	<b>506,180</b>
<b>Fund Balances:</b>				
Fund balances:				
Reserved:				
Reserved for encumbrances	-	-	1,186	65,183
Reserved for prepaid costs	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	1,087	8,332	3,133	(281,893)
<b>Total Fund Balances</b>	<b>1,087</b>	<b>8,332</b>	<b>4,319</b>	<b>(216,710)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,087</b>	<b>\$ 188,675</b>	<b>\$ 4,736</b>	<b>\$ 289,470</b>

## CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

(CONTINUED)

	Special Revenue Funds			
	Proposition A	Proposition C	Rosecrans/ Aviation Project	Air Quality
<b>Assets:</b>				
Cash and investments	\$ 422,395	\$ 507,806	\$ -	\$ 223,858
Receivables:				
Accrued interest	8,904	9,093	-	2,898
Taxes	-	-	-	-
Contracts and notes	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	97,625	80,970	1,465,677	27,616
Restricted assets:				
Cash and investments with fiscal agent	-	-	-	-
<b>Total Assets</b>	<b>\$ 528,924</b>	<b>\$ 597,869</b>	<b>\$ 1,465,677</b>	<b>\$ 254,372</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 112,939	\$ 12,289	\$ 1,023,782	\$ 1,340
Accrued liabilities	-	1,510	-	-
Due to other funds	-	-	1,023,548	-
Deferred revenue	-	-	1,233,812	-
Unearned revenue	-	-	579,146	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
<b>Total Liabilities</b>	<b>112,939</b>	<b>13,799</b>	<b>3,860,288</b>	<b>1,340</b>
<b>Fund Balances:</b>				
Fund balances:				
Reserved:				
Reserved for encumbrances	-	60,000	-	-
Reserved for prepaid costs	-	-	-	-
Unreserved:				
Designated for capital projects	120,000	-	-	-
Designated for debt service	-	-	-	-
Undesignated	295,985	524,070	(2,394,611)	253,032
<b>Total Fund Balances</b>	<b>415,985</b>	<b>584,070</b>	<b>(2,394,611)</b>	<b>253,032</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 528,924</b>	<b>\$ 597,869</b>	<b>\$ 1,465,677</b>	<b>\$ 254,372</b>



CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Special Revenue Funds			
	Community Development Block Grant	American Down Payment Dream Program	HOME Grant	Housing Authority
<b>Assets:</b>				
Cash and investments	\$ 508,706	\$ -	\$ -	\$ 81,880
Receivables:				
Accrued interest	-	-	-	-
Taxes	-	-	-	-
Contracts and notes	4,554,864	15,600	1,417,577	-
Prepaid costs	-	-	-	762,497
Due from other governments	268,049	-	326,658	5,381
Restricted assets:				
Cash and investments with fiscal agent	-	-	-	-
<b>Total Assets</b>	<b>\$ 5,331,619</b>	<b>\$ 15,600</b>	<b>\$ 1,744,235</b>	<b>\$ 849,758</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 25,746	\$ -	\$ 11,542	\$ 11,492
Accrued liabilities	6,253	-	2,735	23,405
Due to other funds	-	-	399,663	-
Deferred revenue	4,600,894	15,600	1,417,577	-
Unearned revenue	-	-	-	-
Deposits payable	16,385	-	-	-
Due to other governments	613,209	-	4,077	-
<b>Total Liabilities</b>	<b>5,262,487</b>	<b>15,600</b>	<b>1,835,594</b>	<b>34,897</b>
<b>Fund Balances:</b>				
Fund balances:				
Reserved:				
Reserved for encumbrances	5,000	-	-	-
Reserved for prepaid costs	-	-	-	762,497
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	64,132	-	(91,359)	52,364
<b>Total Fund Balances</b>	<b>69,132</b>	<b>-</b>	<b>(91,359)</b>	<b>814,861</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,331,619</b>	<b>\$ 15,600</b>	<b>\$ 1,744,235</b>	<b>\$ 849,758</b>

## CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

(CONTINUED)

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	
	California Used Oil Recycling	Development Impact	Public Financing Authority	CIEDB Police Facility Lease Obligation
<b>Assets:</b>				
Cash and investments	\$ -	\$ 1,247,250	\$ -	\$ 38,988
Receivables:				
Accrued interest	-	20,037	-	-
Taxes	-	-	-	-
Contracts and notes	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agent	-	-	1,312,735	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 1,267,287</b>	<b>\$ 1,312,735</b>	<b>\$ 38,988</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	336	-	-	-
Due to other funds	45,768	-	149,403	-
Deferred revenue	-	-	-	-
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
<b>Total Liabilities</b>	<b>46,104</b>	<b>-</b>	<b>149,403</b>	<b>-</b>
<b>Fund Balances:</b>				
Fund balances:				
Reserved:				
Reserved for encumbrances	-	4,530	-	-
Reserved for prepaid costs	-	-	-	-
Unreserved:				
Designated for capital projects	-	1,262,757	-	-
Designated for debt service	-	-	1,163,332	38,988
Undesignated	(46,104)	-	-	-
<b>Total Fund Balances</b>	<b>(46,104)</b>	<b>1,267,287</b>	<b>1,163,332</b>	<b>38,988</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 1,267,287</b>	<b>\$ 1,312,735</b>	<b>\$ 38,988</b>

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Debt Service Funds			Total Nonmajor Governmental Funds
	2005 PERS Obligation	SBRPCA 2001 Series B	SBRPCA 2007 Series B	
	Bonds	Bond	Bond	
<b>Assets:</b>				
Cash and investments	\$ 51,373	\$ -	\$ -	\$ 6,333,014
Receivables:				
Accrued interest	-	-	-	102,760
Taxes	-	-	-	21,880
Contracts and notes	-	-	-	5,988,041
Prepaid costs	-	-	-	762,497
Due from other governments	-	-	-	2,944,021
Restricted assets:				
Cash and investments with fiscal agent	-	-	378,021	1,690,756
<b>Total Assets</b>	<b>\$ 51,373</b>	<b>\$ -</b>	<b>\$ 378,021</b>	<b>\$ 17,842,969</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,096,986
Accrued liabilities	-	-	-	58,694
Due to other funds	-	8,782	8,667	1,771,813
Deferred revenue	-	-	-	7,467,910
Unearned revenue	-	-	-	754,961
Deposits payable	-	-	-	16,385
Due to other governments	-	-	-	617,286
<b>Total Liabilities</b>	<b>-</b>	<b>8,782</b>	<b>8,667</b>	<b>12,784,035</b>
<b>Fund Balances:</b>				
Fund balances:				
Reserved:				
Reserved for encumbrances	-	-	-	135,899
Reserved for prepaid costs	-	-	-	762,497
Unreserved:				
Designated for capital projects	-	-	-	1,382,757
Designated for debt service	51,373	-	369,354	1,623,047
Undesignated	-	(8,782)	-	1,154,734
<b>Total Fund Balances</b>	<b>51,373</b>	<b>(8,782)</b>	<b>369,354</b>	<b>5,058,934</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 51,373</b>	<b>\$ -</b>	<b>\$ 378,021</b>	<b>\$ 17,842,969</b>

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CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
<b>Revenues:</b>				
Taxes	\$ 536,078	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	2,236,259	50,709	-
Charges for services	-	-	211,045	-
Use of money and property	47,467	90,711	1,463	46,822
Fines and forfeitures	-	-	-	585,553
Contributions	-	745,000	-	-
Miscellaneous	-	13,820	26,790	-
<b>Total Revenues</b>	<b>583,545</b>	<b>3,085,790</b>	<b>290,007</b>	<b>632,375</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	120,302
Community development	-	-	-	-
Public works	647,337	1,339,363	2,159,084	-
Capital outlay	-	-	29,919	220,417
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Cost of issuance	-	-	-	-
<b>Total Expenditures</b>	<b>647,337</b>	<b>1,339,363</b>	<b>2,189,003</b>	<b>340,719</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,792)	1,746,427	(1,898,996)	291,656
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	1,350,000	-
Transfers out	-	(1,350,000)	-	-
Long-term debt issued	-	-	-	-
Discount on long-term debt issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,350,000)</b>	<b>1,350,000</b>	<b>-</b>
Net Change in Fund Balances	\$ (63,792)	\$ 396,427	\$ (548,996)	\$ 291,656
<b>Fund Balances</b>				
Beginning of year, as originally reported	\$ 709,620	\$ 526,986	\$ 118,074	\$ 552,431
Restatements	-	370,220	-	-
Beginning of year, as restated	709,620	897,206	118,074	552,431
Net Change in Fund Balances	(63,792)	396,427	(548,996)	291,656
<b>Fund Balances, End of Year</b>	<b>\$ 645,828</b>	<b>\$1,293,633</b>	<b>\$ (430,922)</b>	<b>\$ 844,087</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

(CONTINUED)

	Special Revenue Funds			
	Anti Drug Abuse Grant	COPS	COPS in School Grant	California Office of Traffic Safety Grant
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	5,332,709	172,172	-	36,894
Charges for services	-	-	-	-
Use of money and property	-	21,516	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>5,332,709</b>	<b>193,688</b>	<b>-</b>	<b>36,894</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	3,971,588	4,679	-	36,894
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	66,261	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Cost of issuance	-	-	-	-
<b>Total Expenditures</b>	<b>4,037,849</b>	<b>4,679</b>	<b>-</b>	<b>36,894</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,294,860	189,009	-	-
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Long-term debt issued	-	-	-	-
Discount on long-term debt issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	\$ 1,294,860	\$ 189,009	\$ -	\$ -
<b>Fund Balances</b>				
Beginning of year, as originally reported	\$ (1,263,132)	\$ 159,779	\$ 14,048	\$ 28,158
Restatements	-	-	-	-
Beginning of year, as restated	(1,263,132)	159,779	14,048	28,158
Net Change in Fund Balances	1,294,860	189,009	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 31,728</b>	<b>\$ 348,788</b>	<b>\$ 14,048</b>	<b>\$ 28,158</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	L.A. Clearinghouse LLEBG	Local Law Enforcement Block Grant	Urban Highway	High Intensity Drug Trafficking
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	30,260	-	2,840,907
Charges for services	-	-	-	-
Use of money and property	-	9,931	-	-
Fines and forfeitures	-	-	28,016	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>40,191</b>	<b>28,016</b>	<b>2,840,907</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	30,260	2,950	1,792,457
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	20,747	5,832
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Cost of issuance	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>30,260</b>	<b>23,697</b>	<b>1,798,289</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	9,931	4,319	1,042,618
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Long-term debt issued	-	-	-	-
Discount on long-term debt issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	\$ -	\$ 9,931	\$ 4,319	\$ 1,042,618
<b>Fund Balances</b>				
Beginning of year, as originally reported	\$ 1,087	\$ (1,599)	\$ -	\$ (1,259,328)
Restatements	-	-	-	-
Beginning of year, as restated	1,087	(1,599)	-	(1,259,328)
Net Change in Fund Balances	-	9,931	4,319	1,042,618
<b>Fund Balances, End of Year</b>	<b>\$ 1,087</b>	<b>\$ 8,332</b>	<b>\$ 4,319</b>	<b>\$ (216,710)</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

(CONTINUED)

	Special Revenue Funds			
	Proposition A	Proposition C	Rosecrans/ Aviation Project	Air Quality
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,425,268	1,185,105	6,122,160	104,636
Charges for services	26,473	-	-	-
Use of money and property	33,772	50,165	-	9,805
Fines and forfeitures	-	-	-	-
Contributions	-	-	2,202,016	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>1,485,513</b>	<b>1,235,270</b>	<b>8,324,176</b>	<b>114,441</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	121,885
Public works	1,486,680	1,205,888	-	-
Capital outlay	-	-	10,166,289	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Cost of issuance	-	-	-	-
<b>Total Expenditures</b>	<b>1,486,680</b>	<b>1,205,888</b>	<b>10,166,289</b>	<b>121,885</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,167)	29,382	(1,842,113)	(7,444)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Long-term debt issued	-	-	-	-
Discount on long-term debt issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	\$ (1,167)	\$ 29,382	\$ (1,842,113)	\$ (7,444)
<b>Fund Balances</b>				
Beginning of year, as originally reported	\$ 417,152	\$ 554,688	\$ (552,498)	\$ 155,207
Restatements	-	-	-	105,269
Beginning of year, as restated	417,152	554,688	(552,498)	260,476
Net Change in Fund Balances	(1,167)	29,382	(1,842,113)	(7,444)
<b>Fund Balances, End of Year</b>	<b>\$ 415,985</b>	<b>\$ 584,070</b>	<b>\$ (2,394,611)</b>	<b>\$ 253,032</b>



CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	Community Development Block Grant	American Down Payment Dream Program	HOME Grant	Housing Authority
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,987,312	-	1,082,405	10,559,536
Charges for services	55,281	-	124,394	-
Use of money and property	-	-	-	7,388
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	619,330
<b>Total Revenues</b>	<b>2,042,593</b>	<b>-</b>	<b>1,206,799</b>	<b>11,186,254</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	1,329,339	-	1,207,131	10,599,594
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	335,000	-	-	-
Interest and fiscal charges	370,021	-	-	-
Cost of issuance	-	-	-	-
<b>Total Expenditures</b>	<b>2,034,360</b>	<b>-</b>	<b>1,207,131</b>	<b>10,599,594</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,233	-	(332)	586,660
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	650,000
Transfers out	-	-	-	-
Long-term debt issued	-	-	-	-
Discount on long-term debt issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>650,000</b>
Net Change in Fund Balances	\$ 8,233	\$ -	\$ (332)	\$ 1,236,660
<b>Fund Balances</b>				
Beginning of year, as originally reported	\$ 60,899	\$ -	\$ (91,027)	\$ (421,799)
Restatements	-	-	-	-
Beginning of year, as restated	60,899	-	(91,027)	(421,799)
Net Change in Fund Balances	8,233	-	(332)	1,236,660
<b>Fund Balances, End of Year</b>	<b>\$ 69,132</b>	<b>\$ -</b>	<b>\$ (91,359)</b>	<b>\$ 814,861</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

(CONTINUED)

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	
	California Used Oil Recycling	Development Impact	Public Financing Authority	CIEDB Police Facility Lease Obligation
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	714,476	-	-
Intergovernmental	12,101	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	33,792	10,839	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>12,101</b>	<b>748,268</b>	<b>10,839</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	10,139	65,923
Public safety	-	-	-	-
Community development	-	5,832	-	-
Public works	24,755	-	-	-
Capital outlay	-	141,944	-	-
Debt service:				
Principal retirement	-	-	315,000	455,322
Interest and fiscal charges	-	-	403,002	769,817
Cost of issuance	-	-	-	-
<b>Total Expenditures</b>	<b>24,755</b>	<b>147,776</b>	<b>728,141</b>	<b>1,291,062</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,654)	600,492	(717,302)	(1,291,062)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	764,074	1,282,567
Transfers out	-	-	-	-
Long-term debt issued	-	-	-	-
Discount on long-term debt issued	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>764,074</b>	<b>1,282,567</b>
Net Change in Fund Balances	\$ (12,654)	\$ 600,492	\$ 46,772	\$ (8,495)
<b>Fund Balances</b>				
Beginning of year, as originally reported	\$ (33,450)	\$ 666,795	\$ 1,116,560	\$ 47,483
Restatements	-	-	-	-
Beginning of year, as restated	(33,450)	666,795	1,116,560	47,483
Net Change in Fund Balances	(12,654)	600,492	46,772	(8,495)
<b>Fund Balances, End of Year</b>	<b>\$ (46,104)</b>	<b>\$ 1,267,287</b>	<b>\$ 1,163,332</b>	<b>\$ 38,988</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Debt Service Funds	Debt Service Funds		Total Nonmajor Governmental Funds
	2005 PERS Obligation Bonds	SBRPCA 2001 Series B Bond	SBRPCA 2007 Series B Bond	
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 536,078
Licenses and permits	-	-	-	714,476
Intergovernmental	-	-	-	33,178,433
Charges for services	-	-	-	417,193
Use of money and property	-	11,858	4,290	379,819
Fines and forfeitures	-	-	-	613,569
Contributions	-	-	-	2,947,016
Miscellaneous	2,409,117	-	-	3,069,057
<b>Total Revenues</b>	<b>2,409,117</b>	<b>11,858</b>	<b>4,290</b>	<b>41,855,641</b>
<b>Expenditures:</b>				
Current:				
General government	-	26,215	13,667	115,944
Public safety	-	-	-	5,959,130
Community development	-	-	-	13,263,781
Public works	-	-	-	6,863,107
Capital outlay	-	-	-	10,651,409
Debt service:				
Principal retirement	915,000	458,967	3,306,033	5,785,322
Interest and fiscal charges	1,494,586	94,566	-	3,131,992
Cost of issuance	-	-	247,549	247,549
<b>Total Expenditures</b>	<b>2,409,586</b>	<b>579,748</b>	<b>3,567,249</b>	<b>46,018,234</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(469)	(567,890)	(3,562,959)	(4,162,593)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	186,730	62,833	4,296,204
Transfers out	-	-	-	(1,350,000)
Long-term debt issued	-	-	3,925,000	3,925,000
Discount on long-term debt issued	-	-	(55,520)	(55,520)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>186,730</b>	<b>3,932,313</b>	<b>6,815,684</b>
Net Change in Fund Balances	\$ (469)	\$ (381,160)	\$ 369,354	\$ 2,653,091
<b>Fund Balances</b>				
Beginning of year, as originally reported	\$ 51,842	\$ 372,378	\$ -	\$ 1,930,354
Restatements	-	-	-	475,489
Beginning of year, as restated	51,842	372,378	-	2,405,843
Net Change in Fund Balances	(469)	(381,160)	369,354	2,653,091
<b>Fund Balances, End of Year</b>	<b>\$ 51,373</b>	<b>\$ (8,782)</b>	<b>\$ 369,354</b>	<b>\$ 5,058,934</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 STREET LIGHTING  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 709,620	\$ 709,620	\$ 709,620	\$ -
<b>Resources (Inflows):</b>				
Taxes	547,140	547,140	536,078	(11,062)
Use of money and property	4,000	4,000	47,467	43,467
<b>Amounts Available for Appropriation</b>	<b>1,260,760</b>	<b>1,260,760</b>	<b>1,293,165</b>	<b>32,405</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	725,336	725,336	647,337	77,999
<b>Total Charges to Appropriations</b>	<b>725,336</b>	<b>725,336</b>	<b>647,337</b>	<b>77,999</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 535,424</b>	<b>\$ 535,424</b>	<b>\$ 645,828</b>	<b>\$ 110,404</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 GAS TAX  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 897,206	\$ 897,206	\$ 897,206	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,973,877	1,973,877	2,236,259	262,382
Use of money and property	-	-	90,711	90,711
Contributions	-	550,000	745,000	195,000
Other	-	13,411	13,820	409
<b>Amounts Available for Appropriation</b>	<b>2,871,083</b>	<b>3,434,494</b>	<b>3,982,996</b>	<b>548,502</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	944,713	1,132,624	1,339,363	(206,739)
Capital outlay	-	375,500	-	375,500
Transfers to other funds	1,350,000	1,350,000	1,350,000	-
<b>Total Charges to Appropriations</b>	<b>2,294,713</b>	<b>2,858,124</b>	<b>2,689,363</b>	<b>168,761</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 576,370</b>	<b>\$ 576,370</b>	<b>\$ 1,293,633</b>	<b>\$ 717,263</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
STREET  
YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 118,074	\$ 118,074	\$ 118,074	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	40,000	40,000	50,709	10,709
Charges for services	230,000	230,000	211,045	(18,955)
Use of money and property	-	-	1,463	1,463
Contributions	-	176,380	-	(176,380)
Other	-	-	26,790	26,790
Transfers from other funds	1,350,000	1,350,000	1,350,000	-
<b>Amounts Available for Appropriation</b>	<b>1,738,074</b>	<b>1,914,454</b>	<b>1,758,081</b>	<b>(156,373)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,806,279	1,982,659	2,159,084	(176,425)
Capital outlay	30,000	30,000	29,919	81
<b>Total Charges to Appropriations</b>	<b>1,836,279</b>	<b>2,012,659</b>	<b>2,189,003</b>	<b>(176,344)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (98,205)</b>	<b>\$ (98,205)</b>	<b>\$ (430,922)</b>	<b>\$ (332,717)</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 ASSET FORFEITURE  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 552,431	\$ 552,431	\$ 552,431	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	8,000	8,000	46,822	38,822
Fines and forfeitures	300,000	300,000	585,553	285,553
<b>Amounts Available for Appropriation</b>	<b>860,431</b>	<b>860,431</b>	<b>1,184,806</b>	<b>324,375</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	114,522	130,222	120,302	9,920
Capital outlay	-	50,000	220,417	(170,417)
<b>Total Charges to Appropriations</b>	<b>114,522</b>	<b>180,222</b>	<b>340,719</b>	<b>(160,497)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 745,909</b>	<b>\$ 680,209</b>	<b>\$ 844,087</b>	<b>\$ 163,878</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 ANTI DRUG ABUSE GRANT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (1,263,132)	\$ (1,263,132)	\$ (1,263,132)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	2,538,993	3,580,683	5,332,709	1,752,026
<b>Amounts Available for Appropriation</b>	<b>1,275,861</b>	<b>2,317,551</b>	<b>4,069,577</b>	<b>1,752,026</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	3,046,415	4,068,715	3,971,588	97,127
Capital outlay	-	19,390	66,261	(46,871)
<b>Total Charges to Appropriations</b>	<b>3,046,415</b>	<b>4,088,105</b>	<b>4,037,849</b>	<b>50,256</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (1,770,554)</b>	<b>\$ (1,770,554)</b>	<b>\$ 31,728</b>	<b>\$ 1,802,282</b>



CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 COPS  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 159,779	\$ 159,779	\$ 159,779	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	172,172	172,172
Use of money and property	2,950	2,950	21,516	18,566
<b>Amounts Available for Appropriation</b>	<b>162,729</b>	<b>162,729</b>	<b>353,467</b>	<b>190,738</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	2,871	2,871	4,679	(1,808)
<b>Total Charges to Appropriations</b>	<b>2,871</b>	<b>2,871</b>	<b>4,679</b>	<b>(1,808)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 159,858</b>	<b>\$ 159,858</b>	<b>\$ 348,788</b>	<b>\$ 188,930</b>

CITY OF HAWTHORNE

**BUDGET COMPARISON SCHEDULE  
LOCAL LAW ENFORCEMENT BLOCK GRANT  
YEAR ENDED JUNE 30, 2007**

	<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	\$ (1,599)	\$ (1,599)	\$ (1,599)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	154,082	30,260	(123,822)
Use of money and property	-	-	9,931	9,931
Other	-	16,018	-	(16,018)
<b>Amounts available for appropriation</b>	<b>(1,599)</b>	<b>168,501</b>	<b>38,592</b>	<b>(129,909)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	113,427	30,260	83,167
Capital Outlay	-	56,673	-	56,673
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>170,100</b>	<b>30,260</b>	<b>139,840</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (1,599)</b>	<b>\$ (1,599)</b>	<b>\$ 8,332</b>	<b>\$ 9,931</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 HIGH INTENSITY DRUG TRAFFICKING  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (1,259,328)	\$ (1,259,328)	\$(1,259,328)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	3,121,035	3,607,468	2,840,907	(766,561)
<b>Amounts Available for Appropriation</b>	<b>1,861,707</b>	<b>2,348,140</b>	<b>1,581,579</b>	<b>(766,561)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	3,084,035	3,942,401	1,792,457	2,149,944
Capital outlay	37,000	36,469	5,832	30,637
<b>Total Charges to Appropriations</b>	<b>3,121,035</b>	<b>3,978,870</b>	<b>1,798,289</b>	<b>2,180,581</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (1,259,328)</b>	<b>\$ (1,630,730)</b>	<b>\$ (216,710)</b>	<b>\$ 1,414,020</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION A  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 417,152	\$ 417,152	\$ 417,152	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,300,000	1,300,000	1,425,268	125,268
Charges for services	25,000	25,000	26,473	1,473
Use of money and property	500	500	33,772	33,272
<b>Amounts Available for Appropriation</b>	<b>1,742,652</b>	<b>1,742,652</b>	<b>1,902,665</b>	<b>160,013</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,563,954	1,563,954	1,486,680	77,274
<b>Total Charges to Appropriations</b>	<b>1,563,954</b>	<b>1,563,954</b>	<b>1,486,680</b>	<b>77,274</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 178,698</b>	<b>\$ 178,698</b>	<b>\$ 415,985</b>	<b>\$ 237,287</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION C  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 554,688	\$ 554,688	\$ 554,688	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,075,000	1,075,000	1,185,105	110,105
Use of money and property	5,400	5,400	50,165	44,765
<b>Amounts Available for Appropriation</b>	<b>1,635,088</b>	<b>1,635,088</b>	<b>1,789,958</b>	<b>154,870</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,150,351	1,150,351	1,205,888	(55,537)
<b>Total Charges to Appropriations</b>	<b>1,150,351</b>	<b>1,150,351</b>	<b>1,205,888</b>	<b>(55,537)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 484,737</b>	<b>\$ 484,737</b>	<b>\$ 584,070</b>	<b>\$ 99,333</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 ROSECRANS/AVIATION PROJECT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (552,498)	\$ (552,498)	\$ (552,498)	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	8,281,455	8,281,455	6,122,160	(2,159,295)
Contributions	1,656,940	930,560	2,202,016	1,271,456
<b>Amounts available for appropriation</b>	<b>9,385,897</b>	<b>8,659,517</b>	<b>7,771,678</b>	<b>(887,839)</b>
<b>Charges to appropriation (outflow):</b>				
Capital outlay	10,551,568	9,825,188	10,166,289	(341,101)
<b>Total Charges to Appropriations</b>	<b>10,551,568</b>	<b>9,825,188</b>	<b>10,166,289</b>	<b>(341,101)</b>
<b>Budgetary fund balance, June 30</b>	<b><u><u>\$ (1,165,671)</u></u></b>	<b><u><u>\$ (1,165,671)</u></u></b>	<b><u><u>\$(2,394,611)</u></u></b>	<b><u><u>\$ (1,228,940)</u></u></b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 AIR QUALITY  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 260,476	\$ 260,476	\$ 260,476	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	100,000	100,000	104,636	4,636
Use of money and property	1,250	1,250	9,805	8,555
<b>Amounts available for appropriation</b>	<b>361,726</b>	<b>361,726</b>	<b>374,917</b>	<b>13,191</b>
<b>Charges to appropriation (outflow):</b>				
Community development	116,054	116,054	121,885	(5,831)
<b>Total Charges to Appropriations</b>	<b>116,054</b>	<b>116,054</b>	<b>121,885</b>	<b>(5,831)</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 245,672</b>	<b>\$ 245,672</b>	<b>\$ 253,032</b>	<b>\$ 7,360</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 COMMUNITY DEVELOPMENT BLOCK GRANT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 60,899	\$ 60,899	\$ 60,899	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	2,617,684	2,617,684	1,987,312	(630,372)
Charges for services	305,000	305,000	55,281	(249,719)
<b>Amounts available for appropriation</b>	<b>2,983,583</b>	<b>2,983,583</b>	<b>2,103,492</b>	<b>(880,091)</b>
<b>Charges to appropriation (outflow):</b>				
Community development	2,217,663	2,217,663	1,329,339	888,324
Debt service:				
Principal	335,000	335,000	335,000	-
Interest and fiscal charges	370,021	370,021	370,021	-
<b>Total Charges to Appropriations</b>	<b>2,922,684</b>	<b>2,922,684</b>	<b>2,034,360</b>	<b>888,324</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 60,899</b>	<b>\$ 60,899</b>	<b>\$ 69,132</b>	<b>\$ 8,233</b>



CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 HOME GRANT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (91,027)	\$ (91,027)	\$ (91,027)	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	3,652,183	3,652,183	1,082,405	(2,569,778)
Charges for services	-	-	124,394	124,394
<b>Amounts available for appropriation</b>	<b>3,561,156</b>	<b>3,561,156</b>	<b>1,115,772</b>	<b>(2,445,384)</b>
<b>Charges to appropriation (outflow):</b>				
Community development	3,652,183	3,652,183	1,207,131	2,445,052
<b>Total Charges to Appropriations</b>	<b>3,652,183</b>	<b>3,652,183</b>	<b>1,207,131</b>	<b>2,445,052</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ (91,027)</b>	<b>\$ (91,027)</b>	<b>\$ (91,359)</b>	<b>\$ (332)</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 HOUSING AUTHORITY  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (421,799)	\$ (421,799)	\$ (421,799)	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	11,561,000	5,741,000	10,559,536	4,818,536
Use of money and property	200	200	7,388	7,188
Other	-	-	619,330	619,330
Transfers from other funds	650,000	6,470,000	650,000	(5,820,000)
<b>Amounts available for appropriation</b>	<b>11,789,401</b>	<b>11,789,401</b>	<b>11,414,455</b>	<b>(374,946)</b>
<b>Charges to appropriation (outflow):</b>				
Community development	11,719,294	11,722,324	10,599,594	1,122,730
<b>Total Charges to Appropriations</b>	<b>11,719,294</b>	<b>11,722,324</b>	<b>10,599,594</b>	<b>1,122,730</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 70,107</b>	<b>\$ 67,077</b>	<b>\$ 814,861</b>	<b>\$ 747,784</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 CALIFORNIA USED OIL RECYCLING  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ (33,450)	\$ (33,450)	\$ (33,450)	\$ -
<b>Resources (inflows):</b>				
Intergovernmental	81,150	81,150	12,101	(69,049)
<b>Amounts available for appropriation</b>	<b>47,700</b>	<b>47,700</b>	<b>(21,349)</b>	<b>(69,049)</b>
<b>Charges to appropriation (outflow):</b>				
Parks and Recreation	42,153	42,153	24,755	17,398
<b>Total Charges to Appropriations</b>	<b>42,153</b>	<b>42,153</b>	<b>24,755</b>	<b>17,398</b>
<b>Budgetary fund balance, June 30</b>	<b>\$ 5,547</b>	<b>\$ 5,547</b>	<b>\$ (46,104)</b>	<b>\$ (51,651)</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 DEVELOPMENT IMPACT  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 666,795	\$ 666,795	\$ 666,795	\$ -
<b>Resources (Inflows):</b>				
Licenses and permits	500,000	500,000	714,476	214,476
Use of money and property	10,000	10,000	33,792	23,792
<b>Amounts Available for Appropriation</b>	<b>1,176,795</b>	<b>1,176,795</b>	<b>1,415,063</b>	<b>238,268</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	30,828	30,828	5,832	24,996
Capital outlay	575,000	575,000	141,944	433,056
<b>Total Charges to Appropriations</b>	<b>605,828</b>	<b>605,828</b>	<b>147,776</b>	<b>458,052</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 570,967</b>	<b>\$ 570,967</b>	<b>\$ 1,267,287</b>	<b>\$ 696,320</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY REDEVELOPMENT AGENCY - CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2007**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (56,517,352)	\$ (56,517,352)	\$ (56,517,352)	\$ -
<b>Resources (Inflows):</b>				
Taxes	1,250,000	1,250,000	1,613,129	363,129
Use of money and property	122,000	122,000	284,765	162,765
Contributions	200,000	200,000	850,190	650,190
Other	500	500	155,774	155,274
Notes and loans issued	-	-	1,125,000	1,125,000
Transfers from other funds	-	3,030,000	3,030,000	-
<b>Amounts Available for Appropriation</b>	<b>(54,944,852)</b>	<b>(51,914,852)</b>	<b>(49,458,494)</b>	<b>2,456,358</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	1,722,303	1,722,303	2,473,874	(751,571)
Debt service:				
Principal	149,687	120,492	281,492	(161,000)
Interest and fiscal charges	2,500,000	2,529,195	2,095,687	433,508
Transfers to other funds	1,660,000	1,660,000	-	1,660,000
<b>Total Charges to Appropriations</b>	<b>6,031,990</b>	<b>6,031,990</b>	<b>4,851,053</b>	<b>1,180,937</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (60,976,842)</b>	<b>\$ (57,946,842)</b>	<b>\$ (54,309,547)</b>	<b>\$ 3,637,295</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 PUBLIC FINANCING AUTHORITY  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,116,560	\$ 1,116,560	\$ 1,116,560	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	5,500	5,500	10,839	5,339
Transfers from other funds	-	852,000	764,074	(87,926)
<b>Amounts Available for Appropriation</b>	<b>1,122,060</b>	<b>1,974,060</b>	<b>1,891,473</b>	<b>(82,587)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	10,183	10,183	10,139	44
Debt service:				
Principal	315,000	315,000	315,000	-
Interest and fiscal charges	403,002	403,002	403,002	-
<b>Total Charges to Appropriations</b>	<b>728,185</b>	<b>728,185</b>	<b>728,141</b>	<b>44</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 393,875</b>	<b>\$ 1,245,875</b>	<b>\$ 1,163,332</b>	<b>\$ (82,543)</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 CIEDB POLICE FACILITY LEASE OBLIGATION  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 47,483	\$ 47,483	\$ 47,483	\$ -
<b>Resources (Inflows):</b>				
Transfers from other funds	-	1,282,567	1,282,567	-
<b>Amounts Available for Appropriation</b>	<b>47,483</b>	<b>1,330,050</b>	<b>1,330,050</b>	<b>-</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	8,496	8,496	65,923	(57,427)
Debt service:				
Principal	455,322	455,322	455,322	-
Interest and fiscal charges	827,245	827,245	769,817	57,428
<b>Total Charges to Appropriations</b>	<b>1,291,063</b>	<b>1,291,063</b>	<b>1,291,062</b>	<b>1</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (1,243,580)</b>	<b>\$ 38,987</b>	<b>\$ 38,988</b>	<b>\$ 1</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
2005 PERS OBLIGATION BONDS  
YEAR ENDED JUNE 30, 2007**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 51,842	\$ 51,842	\$ 51,842	\$ -
<b>Resources (Inflows):</b>				
Other	2,413,876	2,413,876	2,409,117	(4,759)
<b>Amounts Available for Appropriation</b>	<b>2,465,718</b>	<b>2,465,718</b>	<b>2,460,959</b>	<b>(4,759)</b>
<b>Charges to Appropriation (Outflow):</b>				
Debt service:				
Principal	915,000	915,000	915,000	-
Interest and fiscal charges	1,498,876	1,498,876	1,494,586	4,290
<b>Total Charges to Appropriations</b>	<b>2,413,876</b>	<b>2,413,876</b>	<b>2,409,586</b>	<b>4,290</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 51,842</b>	<b>\$ 51,842</b>	<b>\$ 51,373</b>	<b>\$ (469)</b>



CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 SBRPCA 2007 SERIES B BOND  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	4,290	4,290
Long-term debt issued	-	3,925,000	3,925,000	-
Discount on long-term debt issued	-	-	(55,520)	55,520
Transfers from other funds	-	-	62,833	62,833
<b>Amounts Available for Appropriation</b>	<b>-</b>	<b>3,925,000</b>	<b>3,936,603</b>	<b>122,643</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	-	-	13,667	(13,667)
Debt service:				
Principal	-	3,618,615	3,306,033	312,582
Cost of issuance	-	306,385	247,549	58,836
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>3,925,000</b>	<b>3,567,249</b>	<b>357,751</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 369,354</b>	<b>\$ 480,394</b>

## CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 COMMUNITY REDEVELOPMENT AGENCY - DEBT SERVICE  
 YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,841,498	\$ 4,841,498	\$ 4,841,498	\$ -
<b>Resources (Inflows):</b>				
Taxes	5,605,000	5,605,000	7,104,432	1,499,432
Use of money and property	32,000	32,000	79,511	47,511
Notes and loans issued	-	-	29,085,000	29,085,000
Other financing sources	-	-	887,904	887,904
Transfers from other funds	-	710,000	-	(710,000)
<b>Amounts Available for Appropriation</b>	<b>10,478,498</b>	<b>11,188,498</b>	<b>41,998,345</b>	<b>30,809,847</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	2,913,644	4,652,295	3,027,134	1,625,161
Community development	-	26,699,810	26,699,810	-
Debt service:				
Principal	455,000	455,000	455,000	-
Interest and fiscal charges	843,884	843,884	1,660,178	(816,294)
Cost of issuance	-	646,539	1,680,920	(1,034,381)
Transfers to other funds	3,605,000	3,605,000	2,895,000	710,000
<b>Total Charges to Appropriations</b>	<b>7,817,528</b>	<b>36,902,528</b>	<b>36,418,042</b>	<b>484,486</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,660,970</b>	<b>\$ (25,714,030)</b>	<b>\$ 5,580,303</b>	<b>\$ 31,294,333</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF NET ASSETS  
NON-MAJOR PROPRIETARY FUNDS  
JUNE 30, 2007

	Airport	Sewer and Storm Drain	Total Nonmajor Proprietary Funds
<b>Assets:</b>			
Current:			
Cash and investments	\$ -	\$ 925,457	\$ 925,457
Receivables:			
Accounts	27,135	93,785	120,920
Due from other governments	509,310	-	509,310
<b>Total Current Assets</b>	<b>536,445</b>	<b>1,019,242</b>	<b>1,555,687</b>
Noncurrent:			
Capital assets - net of accumulated depreciation	2,988,626	302,847	3,291,473
<b>Total Noncurrent Assets</b>	<b>2,988,626</b>	<b>302,847</b>	<b>3,291,473</b>
<b>Total Assets</b>	<b>\$ 3,525,071</b>	<b>\$ 1,322,089</b>	<b>\$ 4,847,160</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 694,126	\$ 103,704	\$ 797,830
Accrued payroll payable	5,809	51,089	56,898
Due to other funds	130,353	-	130,353
Deposits payable	3,624	-	3,624
Due to other governments	83	-	83
Unearned revenue	34,498	-	34,498
Compensated absences	12,692	-	12,692
<b>Total Current Liabilities</b>	<b>881,185</b>	<b>154,793</b>	<b>1,035,978</b>
Noncurrent:			
Compensated absences	71,922	-	71,922
<b>Total Noncurrent Liabilities</b>	<b>71,922</b>	<b>-</b>	<b>71,922</b>
<b>Total Liabilities</b>	<b>953,107</b>	<b>154,793</b>	<b>1,107,900</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	2,988,626	302,847	3,291,473
Unrestricted	(416,662)	864,449	447,787
<b>Total Net Assets</b>	<b>2,571,964</b>	<b>1,167,296</b>	<b>3,739,260</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,525,071</b>	<b>\$ 1,322,089</b>	<b>\$ 4,847,160</b>

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007**

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Operating Revenues:</b>			
Sales and service charges	\$ 224,531	\$ 1,304,394	\$ 1,528,925
Miscellaneous	40,749	4,834	45,583
<b>Total Operating Revenues</b>	<b>265,280</b>	<b>1,309,228</b>	<b>1,574,508</b>
<b>Operating Expenses:</b>			
Materials and supplies	33,955	155,915	189,870
Cost of sales and services	1,008,926	277,406	1,286,332
Administration and general	577,702	495,229	1,072,931
Depreciation	154,608	26,998	181,606
<b>Total Operating Expenses</b>	<b>1,775,191</b>	<b>955,548</b>	<b>2,730,739</b>
Operating Income (Loss)	(1,509,911)	353,680	(1,156,231)
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental	870,185	-	870,185
Interest revenue	413,376	-	413,376
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,283,561</b>	<b>-</b>	<b>1,283,561</b>
Income (Loss) Before Transfers	(226,350)	353,680	127,330
Capital contributions	441,402	-	441,402
Transfers in	250,000	-	250,000
Changes in Net Assets	465,052	353,680	818,732
<b>Net Assets:</b>			
Beginning of Fiscal Year	2,106,912	813,616	2,920,528
<b>End of Fiscal Year</b>	<b>\$ 2,571,964</b>	<b>\$ 1,167,296</b>	<b>\$ 3,739,260</b>

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2007**

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 296,879	\$ 1,319,553	\$ 1,616,432
Cash paid to supplies for goods and services	(735,608)	(329,965)	(1,065,573)
Cash paid to employees for services	(526,573)	(451,703)	(978,276)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(965,302)</b>	<b>537,885</b>	<b>(427,417)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers in	250,000	-	250,000
Due to other funds	(197,348)	-	(197,348)
Subsidy from grants	464,776	-	464,776
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>517,428</b>	<b>-</b>	<b>517,428</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(118,029)	(118,029)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(118,029)</b>	<b>(118,029)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	447,874	-	447,874
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>447,874</b>	<b>-</b>	<b>447,874</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-</b>	<b>419,856</b>	<b>419,856</b>
Cash and Cash Equivalents at Beginning of Year	-	505,601	505,601
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ -</b>	<b>\$ 925,457</b>	<b>\$ 925,457</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (1,509,911)	\$ 353,680	\$ (1,156,231)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	154,608	26,998	181,606
(Increase) decrease in accounts receivable	28,669	10,325	38,994
Increase (decrease) in accounts payable	307,273	103,356	410,629
Increase (decrease) in accrued liabilities	2,179	43,526	45,705
Increase (decrease) in deposits payable	2,930	-	2,930
Increase (decrease) in compensated absences	48,950	-	48,950
<b>Total Adjustments</b>	<b>544,609</b>	<b>184,205</b>	<b>728,814</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (965,302)</b>	<b>\$ 537,885</b>	<b>\$ (427,417)</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Contribution of capital assets	\$ 441,402	\$ -	\$ 441,402

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2007**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total Internal Service Funds</u>
<b>Assets:</b>			
Current:			
Cash and investments	\$ 1,772,943	\$ -	\$ 1,772,943
Receivables:			
Accounts	-	58,491	58,491
Contracts and notes	310,000	-	310,000
Deposits	-	167,263	167,263
Inventories	14,311	-	14,311
<b>Total Current Assets</b>	<b><u>2,097,254</u></b>	<b><u>225,754</u></b>	<b><u>2,323,008</u></b>
Noncurrent:			
Capital assets - net of accumulated depreciation	1,101,512	-	1,101,512
<b>Total Noncurrent Assets</b>	<b><u>1,101,512</u></b>	<b><u>-</u></b>	<b><u>1,101,512</u></b>
<b>Total Assets</b>	<b><u>\$ 3,198,766</u></b>	<b><u>\$ 225,754</u></b>	<b><u>\$ 3,424,520</u></b>
<b>Liabilities and Fund Equity:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 101,021	\$ 256,531	\$ 357,552
Due to other funds	-	688,109	688,109
Accrued liabilities	5,973	5,665	11,638
Lease payable	109,890	-	109,890
Claims payable	-	1,233,107	1,233,107
Compensated absences	4,331	-	4,331
<b>Total Current Liabilities</b>	<b><u>221,215</u></b>	<b><u>2,183,412</u></b>	<b><u>2,404,627</u></b>
Noncurrent:			
Claims payable	-	1,802,558	1,802,558
Compensated absences	24,545	-	24,545
<b>Total Long-Term Liabilities:</b>	<b><u>24,545</u></b>	<b><u>1,802,558</u></b>	<b><u>1,827,103</u></b>
<b>Total Liabilities</b>	<b><u>245,760</u></b>	<b><u>3,985,970</u></b>	<b><u>4,231,730</u></b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debts	991,622	-	991,622
Unrestricted	1,961,384	(3,760,216)	(1,798,832)
<b>Total Net Assets</b>	<b><u>2,953,006</u></b>	<b><u>(3,760,216)</u></b>	<b><u>(807,210)</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,198,766</u></b>	<b><u>\$ 225,754</u></b>	<b><u>\$ 3,424,520</u></b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2007

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenues:</b>			
Sales and service charges	\$ 2,478,444	\$ 2,760,733	\$ 5,239,177
Miscellaneous	91,236	261,187	352,423
<b>Total Operating Revenues</b>	<b><u>2,569,680</u></b>	<b><u>3,021,920</u></b>	<b><u>5,591,600</u></b>
<b>Operating Expenses:</b>			
Materials and supplies	686,694	-	686,694
Contractual services	36,803	2,804,963	2,841,766
Administration and general	468,549	257,935	726,484
Depreciation	412,417	-	412,417
<b>Total Operating Expenses</b>	<b><u>1,604,463</u></b>	<b><u>3,062,898</u></b>	<b><u>4,667,361</u></b>
Income Before Contributions	965,217	(40,978)	924,239
Capital contributions	47,581	-	47,581
Change in Net Assets	1,012,798	(40,978)	971,820
<b>Net Assets:</b>			
Beginning of Fiscal Year	1,940,208	(3,719,238)	(1,779,030)
<b>End of Fiscal Year</b>	<b><u>\$ 2,953,006</u></b>	<b><u>\$ (3,760,216)</u></b>	<b><u>\$ (807,210)</u></b>

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2007**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total Internal Service Funds</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 2,569,680	\$ 2,973,056	\$ 5,542,736
Cash paid to supplies for good and services	(706,271)	(3,021,251)	(3,727,522)
Cash paid to employees for services	(497,364)	(256,821)	(754,185)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>1,366,045</u></b>	<b><u>(305,016)</u></b>	<b><u>1,061,029</u></b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Due to other funds	-	305,016	305,016
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b><u>-</u></b>	<b><u>305,016</u></b>	<b><u>305,016</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(126,769)	-	(126,769)
Principal paid on capital debt	(160,816)	-	(160,816)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>(287,585)</u></b>	<b><u>-</u></b>	<b><u>(287,585)</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,078,460</b>	<b>-</b>	<b>1,078,460</b>
Cash and Cash Equivalents at Beginning of Year	694,483	-	694,483
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 1,772,943</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,772,943</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 965,217	\$ (40,978)	\$ 924,239
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	412,417	-	412,417
(Increase) decrease in accounts receivable	-	(48,864)	(48,864)
Increase (decrease) in accounts payable	17,226	71,821	89,047
Increase (decrease) in accrued liabilities	(422)	1,114	692
Increase (decrease) in claims and judgments	-	(288,109)	(288,109)
Increase (decrease) in compensated absences	(28,393)	-	(28,393)
<b>Total Adjustments</b>	<b><u>400,828</u></b>	<b><u>(264,038)</u></b>	<b><u>136,790</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 1,366,045</u></b>	<b><u>\$ (305,016)</u></b>	<b><u>\$ 1,061,029</u></b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Contribution of capital assets	\$ 47,581	\$ -	\$ 47,581



CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
 ALL AGENCY FUNDS  
 JUNE 30, 2007

	<u>Community Facilities District</u>	<u>City Agency</u>	<u>Total Agency Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 1,662,162	\$ 1,097,221	\$ 2,759,383
Receivables:			
Accounts	18,110	-	18,110
Restricted assets:			
Cash with fiscal agent	17,403,699	-	17,403,699
<b>Total Assets</b>	<b><u>\$ 19,083,971</u></b>	<b><u>\$ 1,097,221</u></b>	<b><u>\$ 20,181,192</u></b>
<b>Liabilities:</b>			
Accounts payable	\$ 47,547	\$ 84,674	\$ 132,221
Accrued liabilities	621,000	-	621,000
Deposits	-	1,012,547	1,012,547
Due to bondholders	18,415,424	-	18,415,424
<b>Total Liabilities</b>	<b><u>\$ 19,083,971</u></b>	<b><u>\$ 1,097,221</u></b>	<b><u>\$ 20,181,192</u></b>

CITY OF HAWTHORNE

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<b><u>Community Facilities District</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,743,683	\$ 3,222,450	\$ 3,303,971	\$ 1,662,162
Receivables (net of allowance for uncollectibles):				
Accounts	-	18,110	-	18,110
Restricted assets:				
Cash with fiscal agent	5,145,228	17,974,329	5,715,858	17,403,699
<b>Total Assets</b>	<b><u>\$ 6,888,911</u></b>	<b><u>\$ 21,214,889</u></b>	<b><u>\$ 9,019,829</u></b>	<b><u>\$ 19,083,971</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 151,211	\$ 103,664	\$ 47,547
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	6,267,911	24,216,805	12,069,292	18,415,424
<b>Total Liabilities</b>	<b><u>\$ 6,888,911</u></b>	<b><u>\$ 24,368,016</u></b>	<b><u>\$ 12,172,956</u></b>	<b><u>\$ 19,083,971</u></b>
<b><u>City Agency</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 993,677	\$ 6,126,589	\$ 6,023,045	\$ 1,097,221
<b>Total Assets</b>	<b><u>\$ 993,677</u></b>	<b><u>\$ 6,126,589</u></b>	<b><u>\$ 6,023,045</u></b>	<b><u>\$ 1,097,221</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 22,870	\$ 1,664,589	\$ 1,602,785	\$ 84,674
Deposits	970,807	6,238,318	6,196,578	1,012,547
<b>Total Liabilities</b>	<b><u>\$ 993,677</u></b>	<b><u>\$ 7,902,907</u></b>	<b><u>\$ 7,799,363</u></b>	<b><u>\$ 1,097,221</u></b>
<b><u>All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 2,737,360	\$ 9,349,039	\$ 9,327,016	\$ 2,759,383
Receivables (net of allowance for uncollectibles):				
Accounts	-	18,110	-	18,110
Restricted assets:				
Cash with fiscal agent	5,145,228	17,974,329	5,715,858	17,403,699
<b>Total Assets</b>	<b><u>\$ 7,882,588</u></b>	<b><u>\$ 27,341,478</u></b>	<b><u>\$ 15,042,874</u></b>	<b><u>\$ 20,181,192</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 22,870	\$ 1,815,800	\$ 1,706,449	\$ 132,221
Accrued liabilities	621,000	-	-	621,000
Deposits	970,807	6,238,318	6,196,578	1,012,547
Due to bondholders	6,267,911	24,216,805	12,069,292	18,415,424
<b>Total Liabilities</b>	<b><u>\$ 7,882,588</u></b>	<b><u>\$ 32,270,923</u></b>	<b><u>\$ 19,972,319</u></b>	<b><u>\$ 20,181,192</u></b>

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