



**CITY OF HAWTHORNE, CALIFORNIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**Lance Soll & Lunghard, LLP**

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CITY OF HAWTHORNE, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2008

Prepared by the Department of Finance

CITY OF HAWTHORNE

JUNE 30, 2008

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## 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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund, the South Bay Workforce Investment Board Fund and the Housing Authority 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 March 17, 2009, 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, Solt & Lingham, LLP*

March 17, 2009

## 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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements.

#### **FINANCIAL HIGHLIGHTS**

- ◆ At June 30, 2008, the City's net assets (excess of assets over liabilities) were \$67.5 million. Of this amount, \$13.7 million is available to meet the City's ongoing operations.
- ◆ During the fiscal year ended June 30, 2008, the City's total net assets increased by \$12.6 million of which a majority is represented in the governmental activities.
- ◆ At the end of the fiscal year ended June 30, 2008, unreserved fund balance for the General Fund was \$10.4 million, or 20 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 and Changes in Net Assets 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 and Changes in Net Assets 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 and Changes in Net Assets, 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, the Housing Authority, 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 governmental 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, 2008, net assets of the City were \$67.5 million, which is an increase of \$12.6 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2008 and 2007.

<b>City of Hawthorne</b>						
<b>Net Assets (dollars in thousands)</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 98,505	\$ 87,755	\$ 903	\$ 1,165	\$ 99,408	\$ 88,920
Capital assets	117,540	116,359	3,236	3,291	120,776	119,650
<b>Total Assets</b>	<b>216,045</b>	<b>204,114</b>	<b>4,139</b>	<b>4,456</b>	<b>220,184</b>	<b>208,570</b>
Long-term liabilities outstanding	7,837	8,227	542	893	8,379	9,120
Other liabilities	144,261	144,515	100	85	144,361	144,600
<b>Total Liabilities</b>	<b>152,098</b>	<b>152,742</b>	<b>642</b>	<b>978</b>	<b>152,740</b>	<b>153,720</b>
Net assets:						
Invested in Capital Assets						
Net of Related Debt	36,430	33,274	3,236	3,292	39,666	36,566
Restricted	14,073	12,290			14,073	12,290
Unrestricted	13,444	5,808	261	187	13,705	5,995
<b>Total Net Assets</b>	<b>\$ 63,947</b>	<b>\$ 51,372</b>	<b>\$ 3,497</b>	<b>\$ 3,479</b>	<b>\$ 67,444</b>	<b>\$ 54,851</b>

Approximately \$36.4 million (57%) 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 \$14 million (22%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$13.4 million, 21%) may be used to meet the City's ongoing obligations to citizens and creditors.

## Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2008 and 2007.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 13,755	\$ 10,814	\$ 1,587	\$ 1,575	\$ 15,342	\$ 12,389
Operating contributions and grants	47,031	46,220		870	47,031	47,090
Capital contributions and grants	5,226	14,131	4,872	441	10,098	14,572
General revenues:						
Property taxes	21,641	19,072			21,641	19,072
Other taxes	26,435	26,916			26,435	26,916
Other	5,145	6,956	391	414	5,536	7,370
Total Revenues	<u>119,233</u>	<u>124,109</u>	<u>6,850</u>	<u>3,300</u>	<u>126,083</u>	<u>127,409</u>
Expenses:						
General government	14,077	12,114			14,077	12,114
Public safety	39,018	40,606			39,018	40,606
Community development	30,230	56,063			30,230	56,063
Parks and recreation	3,091	1,588			3,091	1,588
Public works	12,870	11,525			12,870	11,525
Interest on long-term debt	7,053	7,504			7,053	7,504
Airport			5,830	1,751	5,830	1,751
Sewer and storm drain			1,002	919	1,002	919
Total Expenses	<u>106,339</u>	<u>129,400</u>	<u>6,832</u>	<u>2,670</u>	<u>113,171</u>	<u>132,070</u>
Increase (decrease) in net assets before transfers	12,894	(5,290)	18	630	12,912	(4,661)
Transfers		(250)		250	0	0
Increase (decrease) in net assets	<u>12,894</u>	<u>(5,540)</u>	<u>18</u>	<u>880</u>	<u>12,912</u>	<u>(4,660)</u>
Net assets - 6/30/07, as restated	51,053	56,912	3,479	2,599	54,532	59,511
Net assets - 6/30/08	<u>\$ 63,947</u>	<u>\$ 51,372</u>	<u>\$ 3,497</u>	<u>\$ 3,479</u>	<u>\$ 67,444</u>	<u>\$ 54,851</u>

## Governmental Activities

The City's net assets from governmental activities totaled \$64 million. The cost of all governmental activities this year was \$106.4 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$40.3 million because some of the cost was paid by those who directly benefited from the programs (\$13.8 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$52.3 million). Overall, the City's governmental program revenues were \$66 million. The City paid for the remaining "public benefit" portion of governmental activities with \$53.2 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:

- ◆ Charges for services increased nearly \$3 million which is largely due to an increase in the development impact fees received during the year.
- ◆ Capital contributions and grants decreased \$8.9 million. This decrease is principally related to the completion of the Rosecrans-Aviation street improvement project that was funded by state and federal grants in the prior year.

*Expense highlights:*

- ◆ Community Development expenses decreased \$25.8 million. The decrease is a result of a bond issuance that occurred in the prior Fiscal Year 2006-07.

***Business-Type Activities***

The City's business-type activities increased net assets by \$18,000. Key elements of this increase are as follows:

*Revenue Highlights:*

- ◆ Total program revenues in business type activities increased by \$3.6 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 2007-08, the City's governmental funds reported combined ending fund balance deficit of \$21.5 million, a favorable decrease of \$4.6 million in comparison with the prior fiscal year. Of this amount, \$22.5 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 2007-08, unreserved fund balance of the General Fund was \$10.4 million, while the total fund balance was \$31.4 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, 2008, unreserved fund balance was 21.3 percent of total General Fund expenditures and transfers out, while total fund balance was 64.3 percent of total expenditures and transfers out.

The City's General Fund balance decreased by \$576,021 in Fiscal Year 2007-08 as compared to an increase of \$4 million in Fiscal Year 2006-07.

***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, 2008, net capital assets totaled \$117.5 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 2007-08 was \$1.1 million, or 1 percent.

***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, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 28,472,362	\$ 1,085,297	\$ 29,557,659
Receivables:			
Accounts	5,708,613	241,749	5,950,362
Accrued interest	232,272	-	232,272
Taxes	903,717	-	903,717
Contracts and notes	6,772,599	-	6,772,599
Internal balances	424,057	(424,057)	-
Prepaid costs	1,446,708	-	1,446,708
Due from other governments	24,223,537	-	24,223,537
Inventories	66,038	-	66,038
Deferred charges	2,238,411	-	2,238,411
Net pension asset	25,405,659	-	25,405,659
Restricted assets:			
Cash with fiscal agent	2,610,554	-	2,610,554
Capital assets not being depreciated	11,378,229	37,314	11,415,543
Capital assets, net of depreciation	106,162,522	3,199,007	109,361,529
<b>Total Assets</b>	<b>216,045,278</b>	<b>4,139,310</b>	<b>220,184,588</b>
<b>Liabilities:</b>			
Accounts payable	4,460,499	515,236	4,975,735
Accrued liabilities	850,906	19,333	870,239
Accrued interest	1,518,392	-	1,518,392
Unearned revenue	123,607	-	123,607
Deposits payable	43,613	7,383	50,996
Due to other governments	839,944	-	839,944
Noncurrent liabilities:			
Due within one year	7,155,773	13,221	7,168,994
Due in more than one year	137,105,096	86,436	137,191,532
<b>Total Liabilities</b>	<b>152,097,830</b>	<b>641,609</b>	<b>152,739,439</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	36,429,525	3,236,321	39,665,846
Restricted for:			
Community development projects	2,698,099	-	2,698,099
Public safety	1,449,379	-	1,449,379
Capital projects	4,756,452	-	4,756,452
Debt service	5,169,025	-	5,169,025
Unrestricted	13,444,968	261,380	13,706,348
<b>Total Net Assets</b>	<b>\$ 63,947,448</b>	<b>\$ 3,497,701</b>	<b>\$ 67,445,149</b>

CITY OF HAWTHORNE

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 14,077,030	\$ 3,874,403	\$ 9,449,833	\$ -
Public safety	39,018,271	3,980,391	1,681,190	-
Community development	30,230,247	2,474,906	33,227,271	290,608
Parks and recreation	3,091,003	531,993	824,434	512,531
Public works	12,870,412	2,893,295	1,848,545	4,422,744
Interest on long-term debt	7,052,994	-	-	-
<b>Total Governmental Activities</b>	<b>106,339,957</b>	<b>13,754,988</b>	<b>47,031,273</b>	<b>5,225,883</b>
Business-Type Activities:				
Airport	5,829,686	262,088	-	4,872,028
Sewer and Storm Drain	1,002,002	1,324,844	-	-
<b>Total Business-Type Activities</b>	<b>6,831,688</b>	<b>1,586,932</b>	<b>-</b>	<b>4,872,028</b>
<b>Total Primary Government</b>	<b>\$ 113,171,645</b>	<b>\$ 15,341,920</b>	<b>\$ 47,031,273</b>	<b>\$ 10,097,911</b>

**General Revenues:**

Taxes:

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

**Total General Revenues**

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

**Net Assets at End of Year**

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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (752,794)	\$ -	\$ (752,794)
(33,356,690)	-	(33,356,690)
5,762,538	-	5,762,538
(1,222,045)	-	(1,222,045)
(3,705,828)	-	(3,705,828)
(7,052,994)	-	(7,052,994)
<b>(40,327,813)</b>	<b>-</b>	<b>(40,327,813)</b>
-	(695,570)	(695,570)
-	322,842	322,842
-	<b>(372,728)</b>	<b>(372,728)</b>
<b>(40,327,813)</b>	<b>(372,728)</b>	<b>(40,700,541)</b>
21,640,687	-	21,640,687
2,311,391	-	2,311,391
10,961,498	-	10,961,498
1,922,966	-	1,922,966
4,424,253	-	4,424,253
6,611,305	-	6,611,305
204,281	-	204,281
395,078	-	395,078
1,672,331	391,870	2,064,201
3,078,291	-	3,078,291
<b>53,222,081</b>	<b>391,870</b>	<b>53,613,951</b>
12,894,268	19,142	12,913,410
51,371,524	3,478,559	54,850,083
(318,344)	-	(318,344)
<b>\$ 63,947,448</b>	<b>\$ 3,497,701</b>	<b>\$ 67,445,149</b>



CITY OF HAWTHORNE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>
	<u>General</u>	<u>South Bay Workforce Invest. Board</u>	<u>Housing Authority</u>	<u>Community Redevelopment Agency</u>
<b>Assets:</b>				
Cash and investments	\$ 4,697,496	\$ -	\$ 974,761	\$ 8,988,319
Receivables:				
Accounts	5,497,426	-	-	-
Taxes	243,710	-	-	170,359
Notes and loans	-	-	-	290,608
Accrued interest	78,889	-	664	69,793
Prepaid costs	673,721	-	772,987	-
Due from other governments	-	22,693,193	-	-
Due from other funds	3,280,549	-	-	-
Advances to other funds	59,852,047	-	-	-
Inventories	51,727	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 74,375,565</b>	<b>\$ 22,693,193</b>	<b>\$ 1,748,412</b>	<b>\$ 9,519,079</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,364,800	\$ 927,536	\$ 2,644	\$ 1,167,549
Accrued liabilities	620,292	138,494	23,025	5,216
Deferred revenues	40,963,976	35,004,300	-	290,608
Unearned revenues	27,147	-	-	-
Deposits payable	25,000	-	-	1,200
Due to other governments	2,326	298,093	-	-
Due to other funds	-	704,674	-	-
Advances from other funds	-	-	-	59,852,047
<b>Total Liabilities</b>	<b>43,003,541</b>	<b>37,073,097</b>	<b>25,669</b>	<b>61,316,620</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	133,638	7,322	-	-
Reserved for prepaid costs	673,721	-	772,987	-
Reserved for advances to other funds	20,124,856	-	-	-
Reserved for inventory	51,727	-	-	-
Reserved for compensated absences	-	637,591	-	-
Unreserved:				
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Undesignated	10,388,082	(15,024,817)	949,756	(51,797,541)
<b>Total Fund Balances</b>	<b>31,372,024</b>	<b>(14,379,904)</b>	<b>1,722,743</b>	<b>(51,797,541)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 74,375,565</b>	<b>\$ 22,693,193</b>	<b>\$ 1,748,412</b>	<b>\$ 9,519,079</b>

CITY OF HAWTHORNE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>		
Cash and investments	\$ 11,105,153	\$ 25,765,729
Receivables:		
Accounts	163,484	5,660,910
Taxes	489,648	903,717
Notes and loans	6,171,991	6,462,599
Accrued interest	82,926	232,272
Prepaid costs	-	1,446,708
Due from other governments	1,530,344	24,223,537
Due from other funds	-	3,280,549
Advances to other funds	-	59,852,047
Inventories	-	51,727
Restricted assets:		
Cash and investments with fiscal agents	2,610,554	2,610,554
<b>Total Assets</b>	<b>\$ 22,154,100</b>	<b>\$ 130,490,349</b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 700,254	\$ 4,162,783
Accrued liabilities	47,392	834,419
Deferred revenues	6,794,892	83,053,776
Unearned revenues	96,460	123,607
Deposits payable	17,413	43,613
Due to other governments	539,525	839,944
Due to other funds	2,407,630	3,112,304
Advances from other funds	-	59,852,047
<b>Total Liabilities</b>	<b>10,603,566</b>	<b>152,022,493</b>
<b>Fund Balances:</b>		
Reserved:		
Reserved for encumbrances	74,218	215,178
Reserved for prepaid costs	-	1,446,708
Reserved for advances to other funds	-	20,124,856
Reserved for inventory	-	51,727
Reserved for compensated absences	-	637,591
Unreserved:		
Unreserved, reported in nonmajor:		
Special revenue funds	2,728,521	2,728,521
Capital projects funds	3,595,715	3,595,715
Debt service funds	5,152,080	5,152,080
Undesignated	-	(55,484,520)
<b>Total Fund Balances</b>	<b>11,550,534</b>	<b>(21,532,144)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,154,100</b>	<b>\$ 130,490,349</b>

CITY OF HAWTHORNE

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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Fund balances of governmental funds	\$ (21,532,144)
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.	116,321,463
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the Statement of Net Assets.	2,238,411
Net pension asset relates to the pension obligation bonds and is amortized over the PERS actuarial amortization period on the Statement of Net Assets.	25,405,659
Long-term debt and compensated absences have not been included in the governmental fund activity:	
Long-term liabilities	(131,016,058)
Compensated Absences	(8,323,118)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,518,392)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in intergovernmental revenues in the governmental fund activity.	83,053,776
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.	<u>(682,149)</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ 63,947,448</u></u></b>

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CITY OF HAWTHORNE

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Special Revenue Funds		Capital Projects Fund
		South Bay Workforce Invest. Board	Housing Authority	Community Redevelopment Agency
<b>Revenues:</b>				
Taxes	\$ 38,103,082	\$ -	\$ -	\$ 1,808,867
Licenses and permits	2,252,987	-	-	-
Intergovernmental	1,535,858	17,500,415	11,496,469	-
Charges for services	5,432,933	-	-	-
Use of money and property	247,957	-	6,865	353,170
Fines and forfeitures	2,024,738	-	-	-
Contributions	2,623,171	-	-	-
Miscellaneous	520,905	-	101,392	107,059
<b>Total Revenues</b>	<b>52,741,631</b>	<b>17,500,415</b>	<b>11,604,726</b>	<b>2,269,096</b>
<b>Expenditures:</b>				
Current:				
General government	7,103,906	-	-	3,141,646
Public safety	35,400,410	-	-	-
Community development	1,322,441	17,470,889	10,496,844	-
Parks and recreation	2,918,255	-	-	-
Public works	3,381,583	-	-	-
Capital outlay	804,642	61,756	-	-
Debt service:				
Principal retirement	204,710	-	-	257,528
Interest and fiscal charges	11,593	-	-	1,599,572
<b>Total Expenditures</b>	<b>51,147,540</b>	<b>17,532,645</b>	<b>10,496,844</b>	<b>4,998,746</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,594,091	(32,230)	1,107,882	(2,729,650)
<b>Other Financing Sources (Uses):</b>				
Transfers in	215,135	-	-	4,435,000
Transfers out	(2,385,247)	-	(200,000)	-
Notes and loans issued	-	-	-	1,125,000
<b>Total Other Financing Sources (Uses)</b>	<b>(2,170,112)</b>	<b>-</b>	<b>(200,000)</b>	<b>5,560,000</b>
Net Change in Fund Balances	\$ (576,021)	\$ (32,230)	\$ 907,882	\$ 2,830,350
<b>Fund Balances:</b>				
Beginning of year, as originally reported	\$ 31,919,887	\$ (14,347,674)	\$ 814,861	\$ (54,309,547)
Restatements	28,158	-	-	(318,344)
Beginning of year, as restated	31,948,045	(14,347,674)	814,861	(54,627,891)
Net change in fund balances	(576,021)	(32,230)	907,882	2,830,350
<b>Fund Balances, End of Year</b>	<b>\$ 31,372,024</b>	<b>\$ (14,379,904)</b>	<b>\$ 1,722,743</b>	<b>\$ (51,797,541)</b>

CITY OF HAWTHORNE

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>		
Taxes	\$ 8,569,832	\$ 48,481,781
Licenses and permits	2,474,906	4,727,893
Intergovernmental	12,303,268	42,836,010
Charges for services	861,074	6,294,007
Use of money and property	481,922	1,089,914
Fines and forfeitures	681,879	2,706,617
Contributions	107,694	2,730,865
Miscellaneous	4,152,601	4,881,957
<b>Total Revenues</b>	<b>29,633,176</b>	<b>113,749,044</b>
<b>Expenditures:</b>		
Current:		
General government	3,018,631	13,264,183
Public safety	1,285,181	36,685,591
Community development	3,177,395	32,467,569
Parks and recreation	-	2,918,255
Public works	7,403,992	10,785,575
Capital outlay	2,594,177	3,460,575
Debt service:		
Principal retirement	2,963,854	3,426,092
Interest and fiscal charges	5,370,742	6,981,907
<b>Total Expenditures</b>	<b>25,813,972</b>	<b>109,989,747</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,819,204	3,759,297
<b>Other Financing Sources (Uses):</b>		
Transfers in	5,359,029	10,009,164
Transfers out	(7,423,917)	(10,009,164)
Notes and loans issued	-	1,125,000
<b>Total Other Financing Sources (Uses)</b>	<b>(2,064,888)</b>	<b>1,125,000</b>
Net Change in Fund Balances	\$ 1,754,316	\$ 4,884,297
<b>Fund Balances:</b>		
Beginning of year, as originally reported	\$ 9,824,376	\$ (26,098,097)
Restatements	(28,158)	(318,344)
Beginning of year, as restated	9,796,218	(26,416,441)
Net change in fund balances	1,754,316	4,884,297
<b>Fund Balances, End of Year</b>	<b>\$ 11,550,534</b>	<b>\$ (21,532,144)</b>

CITY OF HAWTHORNE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2008**

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Net change in fund balances - total governmental funds \$ 4,884,297

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. 1,064,366

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,961,478

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 10,616

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. (316,031)

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. 5,425,181

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. (135,639)

**Change in net assets of governmental activities** **\$ 12,894,268**

CITY OF HAWTHORNE

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	<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, as restated	\$ 31,962,342	\$ 31,962,342	\$ 31,962,342	\$ -
<b>Resources (Inflows):</b>				
Taxes	38,820,000	37,984,834	38,103,082	118,248
Licenses and permits	1,514,000	1,534,750	2,252,987	718,237
Intergovernmental	2,211,959	2,267,359	1,535,858	(731,501)
Charges for services	4,967,775	4,573,700	5,432,933	859,233
Use of money and property	250,000	145,000	247,957	102,957
Fines and forfeitures	2,200,000	2,100,000	2,024,738	(75,262)
Contributions	291,370	2,623,311	2,623,171	(140)
Miscellaneous	263,000	350,000	521,743	171,743
Transfers in	200,000	200,000	200,000	-
<b>Amounts Available for Appropriation</b>	<b>82,680,446</b>	<b>83,741,296</b>	<b>84,904,811</b>	<b>1,163,515</b>
<b>Charges to Appropriation (Outflow):</b>				
General government				
Mayor and City Council	1,770,224	1,963,774	1,947,275	16,499
City Clerk	184,999	174,319	189,141	(14,822)
City Manager	605,900	615,535	592,584	22,951
City Treasurer	11,752	11,267	10,977	290
City Attorney	817,681	818,591	802,607	15,984
Finance	1,836,031	1,727,471	1,445,328	282,143
Licensing and Code Enforcement	1,440,691	2,117,901	2,115,994	1,907
Public safety				
Police	26,756,539	28,184,318	27,836,471	347,847
Fire Services Contract	7,686,878	7,686,878	7,563,939	122,939
Community development				
Planning	395,649	387,794	389,167	(1,373)
Building and Safety	861,198	926,818	933,274	(6,456)
Parks and recreation	2,912,122	3,246,474	2,918,255	328,219
Public works	3,570,661	3,691,192	3,381,583	309,609
Capital outlay	233,200	470,668	804,642	(333,974)
Debt service:				
Principal retirement	205,480	205,480	204,712	768
Interest and fiscal charges	11,591	11,591	11,591	-
Transfers out	2,385,250	2,385,250	2,385,247	3
<b>Total Charges to Appropriations</b>	<b>51,685,846</b>	<b>54,625,321</b>	<b>53,532,787</b>	<b>1,092,534</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 30,994,600</b>	<b>\$ 29,115,975</b>	<b>\$ 31,372,024</b>	<b>\$ 2,256,049</b>



CITY OF HAWTHORNE

**BUDGETARY COMPARISON STATEMENT  
SOUTH BAY WORKFORCE INVESTMENT BOARD  
YEAR ENDED JUNE 30, 2008**

	<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	\$ (14,347,674)	\$ (14,347,674)	\$ (14,347,674)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	27,643,183	30,329,871	17,500,415	(12,829,456)
<b>Amounts Available for Appropriation</b>	<b>13,295,509</b>	<b>15,982,197</b>	<b>3,152,741</b>	<b>(12,829,456)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	27,608,183	30,202,371	17,470,889	12,731,482
Capital outlay	35,000	77,500	61,756	15,744
<b>Total Charges to Appropriations</b>	<b>27,643,183</b>	<b>30,279,871</b>	<b>17,532,645</b>	<b>12,747,226</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (14,347,674)</b>	<b>\$ (14,297,674)</b>	<b>\$ (14,379,904)</b>	<b>\$ (82,230)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON STATEMENT  
HOUSING AUTHORITY  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 814,861	\$ 814,861	\$ 814,861	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	11,255,544	11,255,544	11,496,469	240,925
Use of money and property	1,000	1,000	6,865	5,865
Miscellaneous	-	-	101,392	101,392
<b>Amounts Available for Appropriation</b>	<b>12,071,405</b>	<b>12,071,405</b>	<b>12,419,587</b>	<b>348,182</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	11,587,403	11,587,403	10,496,844	1,090,559
Transfers out	200,000	200,000	200,000	-
<b>Total Charges to Appropriations</b>	<b>11,787,403</b>	<b>11,787,403</b>	<b>10,696,844</b>	<b>1,090,559</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 284,002</b>	<b>\$ 284,002</b>	<b>\$ 1,722,743</b>	<b>\$ 1,438,741</b>

CITY OF HAWTHORNE

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2008

	<b>Nonmajor Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Assets:</b>		
Current:		
Cash and investments	\$ 1,085,297	\$ 2,706,633
Receivables:		
Accounts	241,749	47,703
Notes and loans	-	310,000
Inventories	-	14,311
<b>Total Current Assets</b>	<b>1,327,046</b>	<b>3,078,647</b>
Noncurrent:		
Capital assets - net of accumulated depreciation	3,236,321	1,219,288
<b>Total Noncurrent Assets</b>	<b>3,236,321</b>	<b>1,219,288</b>
<b>Total Assets</b>	<b>\$ 4,563,367</b>	<b>\$ 4,297,935</b>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Current:		
Accounts payable	\$ 515,236	\$ 297,716
Accrued liabilities	19,333	16,487
Deposits payable	7,383	-
Due to other funds	168,245	-
Compensated absences	13,221	2,810
Claims and judgments	-	1,401,505
<b>Total Current Liabilities</b>	<b>723,418</b>	<b>1,718,518</b>
Noncurrent:		
Compensated absences	86,436	8,429
Claims and judgments	-	3,508,949
<b>Total Noncurrent Liabilities</b>	<b>86,436</b>	<b>3,517,378</b>
<b>Total Liabilities</b>	<b>809,854</b>	<b>5,235,896</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	3,236,321	1,219,288
Unrestricted	517,192	(2,157,249)
<b>Total Net Assets</b>	<b>3,753,513</b>	<b>(937,961)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,563,367</b>	<b>\$ 4,297,935</b>
<b>Reconciliation of Net Assets to the Statement of Net Assets</b>		
Net Assets per Statement of Net Assets - Proprietary Funds	\$ 3,753,513	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(260,701)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	4,889	
<b>Net Assets per Statement of Net Assets</b>	<b>\$ 3,497,701</b>	

CITY OF HAWTHORNE

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	Nonmajor Enterprise Funds	Governmental Activities Internal Service Funds
<b>Operating Revenues:</b>		
Sales and service charges	\$ 1,516,890	\$ 5,529,823
Miscellaneous	70,042	682,266
<b>Total Operating Revenues</b>	<b>1,586,932</b>	<b>6,212,089</b>
<b>Operating Expenses:</b>		
Administration and general	1,226,222	740,051
Materials and supplies	4,403,106	823,113
Contractual services	-	4,532,786
Cost of sales and services	1,015,753	-
Depreciation expense	191,496	306,890
<b>Total Operating Expenses</b>	<b>6,836,577</b>	<b>6,402,840</b>
Operating Income (Loss)	(5,249,645)	(190,751)
<b>Nonoperating Revenues (Expenses):</b>		
Intergovernmental	4,872,028	-
Interest revenue	391,870	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,263,898</b>	<b>-</b>
Income (Loss) Before Transfers	14,253	(190,751)
Contributions	-	60,000
Changes in Net Assets	14,253	(130,751)
<b>Net Assets:</b>		
Beginning of Fiscal Year	3,739,260	(807,210)
<b>End of Fiscal Year</b>	<b>\$ 3,753,513</b>	<b>\$ (937,961)</b>
<b>Reconciliation of Changes in Net Assets to the Statement of Activities:</b>		
Changes in Net Assets, per the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	\$ 14,253	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	4,889	
<b>Changes in Net Assets of Business-Type Activities per Statement of Activities</b>	<b>\$ 19,142</b>	

CITY OF HAWTHORNE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	<b>Nonmajor Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers and users	\$ 1,469,862	\$ 6,390,140
Cash paid to supplies for goods and services	(5,701,536)	(3,540,946)
Cash paid to employees for services	(1,248,744)	(752,839)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(5,480,418)</b>	<b>2,096,355</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Repayment made to other funds	37,892	(688,109)
Subsidy from grants	5,381,338	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>5,419,230</b>	<b>(688,109)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(136,344)	(364,666)
Principal paid on capital debt	-	(109,890)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(136,344)</b>	<b>(474,556)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	357,372	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>357,372</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>159,840</b>	<b>933,690</b>
Cash and Cash Equivalents at Beginning of Year	925,457	1,772,943
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,085,297</b>	<b>\$ 2,706,633</b>

CITY OF HAWTHORNE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	<u>Nonmajor Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ (5,249,645)	\$ (190,751)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation	191,496	306,890
(Increase) decrease in accounts receivable	(120,829)	10,788
(Increase) decrease in deposits receivable	-	167,263
Increase (decrease) in accounts payable	(282,594)	(59,836)
Increase (decrease) in accrued liabilities	(37,565)	4,849
Increase (decrease) in due to other governments	(83)	-
Increase (decrease) in deposits payable	3,759	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in claims and judgments	-	1,874,789
Increase (decrease) in compensated absences	15,043	(17,637)
<b>Total Adjustments</b>	<b>(230,773)</b>	<b>2,287,106</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (5,480,418)</b>	<b>\$ 2,096,355</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
Contribution of capital assets	\$ -	\$ 60,000

CITY OF HAWTHORNE

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments	\$ 2,166,457
Receivables:	
Accounts	330,450
Taxes	1,683
Restricted assets:	
Cash and investments with fiscal agents	<u>15,420,481</u>
<b>Total Assets</b>	<b><u>\$ 17,919,071</u></b>
<b>Liabilities:</b>	
Accounts payable	\$ 68,114
Accrued liabilities	621,000
Deposits payable	373,988
Due to bondholders	<u>16,855,969</u>
<b>Total Liabilities</b>	<b><u>\$ 17,919,071</u></b>

**CITY OF HAWTHORNE**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

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

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

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, 2008. 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.

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.

Prepaid Costs and Land Held for Resale

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Land purchased for resale is capitalized as inventory at acquisition costs or net realizable value if lower. The fund balances in the governmental funds have been reserved for amounts equal to prepaid costs and land held for resale in the fund-level statements since these amounts 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.

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

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

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 and trails.

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

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

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

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.

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

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

Property Tax Revenue

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

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

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance of governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term debts and compensated absences have not been included in the governmental fund activity." The detail of the \$131,016,058 long-term debt difference is as follows:

Long-term debt:	
Tax allocation bonds payable	\$ (44,885,000)
Notes payable	(21,421,682)
COP bonds payable	(7,440,000)
Pension Obligation Bonds	(27,900,000)
SBROA 2001 Bonds	(3,840,000)
Loan Payables	(6,625,000)
Lease payable	(18,212,904)
Capital leases	(108,322)
Unamortized bond discount	95,694
Unamortized bond premium	(828,712)
Unamortized loss on bond defeasance	<u>149,868</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u><u>\$ (131,016,058)</u></u>

2. 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

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

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

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 as depreciation expense." The details of this \$1,064,366 difference are as follows:

Capital outlay	\$ 5,966,129
Depreciation expense	(4,856,410)
Changes in investment in joint venture	<u>(45,353)</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>\$ 1,064,366</u>

Another element of that reconciliation states that the "repayment of principal of on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets." Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of this (\$1,961,478) difference is as follows:

Debt issued or incurred:	
Notes payable	\$ (1,125,000)
Principal repayments:	
Tax allocation bonds	545,000
Notes payable	257,528
COP bonds payable	330,000
Pension obligation bonds	1,055,000
SBRPCA 2001 bond	85,000
Loans payable	475,000
Lease payable	473,854
Capital leases payable	204,710
Bond discount amortization	(3,735)
Defeasance loss amortization	(9,337)
Bond premium amortization	29,596
Debt issuance costs amortization	(98,227)
Other:	
Net pension asset amortization	<u>(257,911)</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ 1,961,478</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 2007-2008, the following funds had no adopted budgets:

- Anti Drug Abuse Grant
- COPS in School Grant
- L.A. Clearinghouse LLEBG
- 2009 Street Improvements

d. The following funds have deficits in fund balance or retained earnings at June 30, 2008:

Fund	Amount
Major Governmental Funds:	
South Bay Workforce Investment Board	\$ (14,379,904)
Community Redevelopment Agency - Debt Service	(51,797,541)
Nonmajor Governmental Funds:	
Special Revenue Funds	
Street	(1,812,788)
California Office of Traffic Safety	(21,851)
High Intensity Drug Trafficking	(7,047)
Home Grant	(340,246)
California Used Oil Recycling	(33,592)
Debt Service Fund	
2005 PERS Obligation Bonds	(16,945)
Internal Service Funds:	
Insurance Reserve	(4,900,116)



**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 at the department level are as follows:

Fund	Expenditures	Appropriations	Excess
Major Governmental Funds:			
General Fund:			
City Clerk	\$ 189,141	\$ 174,319	\$ 14,822
Planning	389,167	387,794	1,373
Building and safety	933,274	926,818	6,456
Capital outlay	804,642	470,668	333,974
Nonmajor Governmental Funds:			
Special Revenue Funds:			
Street Lighting:			
Public works	706,554	659,201	47,353
Street:			
Public works	2,335,236	2,136,986	198,250
Asset Forfeiture:			
Public safety	390,609	215,522	175,087
Proposition A:			
Public works	1,647,234	1,564,954	82,280
Air Quality:			
Community development	117,650	116,054	1,596
Community Development Block Grant:			
Community development	2,085,452	1,909,588	175,864
Capital outlay	10,211	5,000	5,211
Capital Projects Funds			
Community Redevelopment Agency			
General government	3,141,646	2,826,885	314,761
Debt service			
Principal Retirement	257,529	149,687	107,842
Interest and fiscal charges	1,599,571	1,375,000	224,571
Debt Service Funds:			
Public Financing Authority:			
General government	11,788	10,183	1,605

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2008, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$	31,082,916
Business-type activities		1,085,297
Fiduciary funds		17,586,938
Total Cash and Investments	\$	<u>49,755,151</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, 2008, the carrying amount of the City's deposits was \$(249,312) and the bank balance was \$1,300,461. The \$(1,549,773) 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, 2008, the City's investment in commercial paper consisted of investments with General Electric Corporation. At June 30, 2008, 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, 2008, 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, 2008, 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, 2008, 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, 2008, 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	\$ 31,973,428	\$ -	\$31,973,428
Cash with Fiscal Agents:			
Money Market Mutual Funds	13,445,252	-	13,445,252
Investment agreement	-	3,967,900	3,967,900
Commercial Paper	617,883	-	617,883
	<u>\$ 46,036,563</u>	<u>\$ 3,967,900</u>	<u>\$50,004,463</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, 2008, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 7,388,529	\$ 360,000	\$ -	\$ 7,748,529
Investment in joint venture	3,675,053	-	45,353	3,629,700
Total Capital Assets, Not Being Depreciated	<u>11,063,582</u>	<u>360,000</u>	<u>45,353</u>	<u>11,378,229</u>
Capital assets, being depreciated:				
Structures and improvements	46,309,889	1,435,870	-	47,745,759
Machinery and equipment:				
City	16,616,237	183,601	-	16,799,838
Equipment Replacement	5,375,738	444,142	284,046	5,535,834
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	<u>94,938,319</u>	<u>3,986,658</u>	<u>-</u>	<u>98,924,977</u>
Total Capital Assets, Being Depreciated	<u>179,599,737</u>	<u>6,050,271</u>	<u>284,046</u>	<u>185,365,962</u>
Less accumulated depreciation:				
Structures and improvements	11,467,317	1,489,490	-	12,956,807
Machinery and equipment:				
City	15,299,197	808,058	-	16,107,255
Equipment Replacement	4,274,219	306,890	264,563	4,316,546
Parking authority - structures	12,085,074	408,989	-	12,494,063
Infrastructure	<u>31,178,896</u>	<u>2,149,873</u>	<u>-</u>	<u>33,328,769</u>
Total Accumulated Depreciation	<u>74,304,703</u>	<u>5,163,300</u>	<u>264,563</u>	<u>79,203,440</u>
Total Capital Assets, Being Depreciated, Net	<u>105,295,034</u>	<u>886,971</u>	<u>19,483</u>	<u>106,162,522</u>
Governmental Activities Capital Assets, Net	<u>\$ 116,358,616</u>	<u>\$ 1,246,971</u>	<u>\$ 64,836</u>	<u>\$ 117,540,751</u>

**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	<u>37,314</u>	<u>-</u>	<u>-</u>	<u>37,314</u>
Capital assets, being depreciated:				
Structures and improvements	1,630,565	51,263	-	1,681,828
Machinery and equipment	22,750	-	-	22,750
Infrastructure				
Airport	4,152,004	-	-	4,152,004
Sewer and Storm Drain	10,453,364	85,081	-	10,538,445
Total Capital Assets, Being Depreciated	<u>16,258,683</u>	<u>136,344</u>	<u>-</u>	<u>16,395,027</u>
Less accumulated depreciation:				
Structures and improvements	1,182,423	55,831	-	1,238,254
Machinery and equipment	19,768	596	-	20,364
Infrastructure				
Airport	1,651,816	103,801	-	1,755,617
Sewer and Storm Drain	10,150,517	31,268	-	10,181,785
Total Accumulated Depreciation	<u>13,004,524</u>	<u>191,496</u>	<u>-</u>	<u>13,196,020</u>
Total Capital Assets, Being Depreciated, Net	<u>3,254,159</u>	<u>(55,152)</u>	<u>-</u>	<u>3,199,007</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,291,473</u>	<u>\$ (55,152)</u>	<u>\$ -</u>	<u>\$ 3,236,321</u>

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

Governmental Activities:	
General government	\$ 736,210
Public safety	1,638,097
Public work	2,193,646
Community development	157,368
Parks and recreation	131,089
Internal service fund - equipment replacement	306,890
Total Governmental Activities	<u>\$ 5,163,300</u>
Business-Type Activities:	
Airport	\$ 160,228
Sewer and storm drain	31,268
Total Business-Type Activities	<u>\$ 191,496</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, 2008, is as follows:

**Due To/From Other Funds**

	Due to Other Funds			Total
	South Bay Workforce Invest. Board	Non-major Governmental Funds	Non-major Enterprise Funds	
<u>Due From Other Funds</u>				
General Fund	\$ 704,674	\$ 2,407,630	\$ 168,245	\$ 3,280,549

The due from other funds in the General Fund of \$3,280,549 from the South Bay Workforce Investment Board Fund, the non-major governmental funds and the non-major enterprise 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	\$ 59,852,047

During the current and previous fiscal years, the City of Hawthorne has made loans to the Redevelopment Agency to cover for operations. These loans bear interest at LAIF rates. 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, 2008, loans with accrued unpaid interest amounted to \$59,852,047.

**Interfund Transfers**

Transfers In	Transfers Out			Total
	General Fund	Housing Authority	Non-major Governmental Funds	
General	\$ -	\$ 200,000	\$ 15,135	\$ 215,135
Capital Projects - Community Redevelopment Agency	-	-	4,435,000	4,435,000
Non-major Funds	2,385,247	-	2,973,782	5,359,029
<b>Total</b>	<b>\$ 2,385,247</b>	<b>\$ 200,000</b>	<b>\$ 7,423,917</b>	<b>\$ 10,009,164</b>

**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 of \$2,385,247 was for a repayment of \$135,000 for prior year use of set-aside fund for ineligible use of the Crime Free Multi Housing Program money, for debt service contribution on the 1997 COP bonds in the amount of \$725,247, for debt service contribution on the loan to build the police facility in the amount of \$1,280,000, and for debt service contribution on the 2006 SBRPCA bonds in the amount of \$245,000.

The transfer of \$200,000 from the Housing Authority was to repay the General Fund for prior year contribution to cover prior year deficits.

The transfer in of \$4,435,000 to the Capital Projects - Community Redevelopment Agency was to cover administrative costs and fund capital 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, 2008:

	Beginning Balance at July 1, 2007	Additions	Deletions	Ending Balance at June 30, 2008	Due Within One Year
<b>Governmental Funds:</b>					
City:					
Certificates of participation	\$ 7,770,000	\$ -	\$ 330,000	\$ 7,440,000	\$ 345,000
Compensated absences	8,007,088	2,454,178	2,138,148	8,323,118	2,222,538
Lease payable	313,032	-	204,710	108,322	86,538
Lease payable - police facility	18,686,758	-	473,854	18,212,904	493,140
Section 108 loan payable	7,100,000	-	475,000	6,625,000	475,000
SBRPCA 2007 Series B Bond	3,925,000	-	85,000	3,840,000	105,000
2005 Pension Obligation Bonds	28,955,000	-	1,055,000	27,900,000	1,205,000
<b>Total City</b>	<b>74,756,878</b>	<b>2,454,178</b>	<b>4,761,712</b>	<b>72,449,344</b>	<b>4,932,216</b>
Internal Service Funds:					
Claims and judgments	3,035,665	2,741,206	866,417	4,910,454	1,401,505
Compensated absences	28,876	65,606	83,243	11,239	2,810
Lease payable	109,890	-	109,890	-	-
<b>Total Internal Service Funds</b>	<b>3,174,431</b>	<b>2,806,812</b>	<b>1,059,550</b>	<b>4,921,693</b>	<b>1,404,315</b>
Redevelopment Agency:					
Tax allocation refunding bonds	45,430,000	-	545,000	44,885,000	680,000
Notes payable	20,554,210	1,125,000	257,528	21,421,682	139,242
<b>Total Redevelopment</b>	<b>65,984,210</b>	<b>1,125,000</b>	<b>802,528</b>	<b>66,306,682</b>	<b>819,242</b>
<b>Total Governmental Long-Term Obligations</b>	<b>\$ 143,915,519</b>	<b>\$ 6,385,990</b>	<b>\$ 6,623,790</b>	<b>143,677,719</b>	<b>\$ 7,155,773</b>
Less:					
Net unamortized bond discount				(95,694)	
Net unamortized bond premium				828,712	
Net unamortized bond defeasance loss				(149,868)	
<b>Total governmental funds long-term debt</b>				<b>\$ 144,260,869</b>	
<b>Business-Type Funds:</b>					
Compensated absences	\$ 84,614	\$ 26,268	\$ 11,225	\$ 99,657	\$ 13,221



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

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

Certificates of Participation

On December 1, 1997, 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 lease payment to be made by the City to the Authority pursuant to the Lease will be in amount sufficient to pay principal and interest with respect to the Certificates when due. The certificates contain certain restrictive covenants. The City's management believes it has complied with all applicable covenants during the year ended June 30, 2008. The annual principal requirements to amortize the outstanding Public Financing Authority COP as of June 30, 2008, are as follows:

	Certificates of Participation	
	Principal	Interest
2008 - 2009	\$ 345,000	\$ 371,968
2009 - 2010	360,000	354,868
2010 - 2011	380,000	336,738
2011 - 2012	395,000	317,651
2012 - 2013	415,000	297,500
2013 - 2018	2,430,000	1,135,112
2018 - 2022	3,115,000	421,850
Totals	<u>\$ 7,440,000</u>	<u>\$ 3,235,687</u>

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

	SBRPCA Refunding Revenue Bonds, 2007 Series B	
	Principal	Interest
2008 - 2009	\$ 105,000	\$ 170,020
2009 - 2010	105,000	166,083
2010 - 2011	110,000	162,145
2011 - 2012	115,000	157,883
2012 - 2013	120,000	153,283
2013 - 2018	675,000	689,308
2018 - 2023	830,000	533,919
2023 - 2028	1,035,000	326,655
2028 - 2033	745,000	71,963
Totals	<u>\$ 3,840,000</u>	<u>\$ 2,431,256</u>

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

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

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 matures in amounts ranging from \$610,000 to \$3,715,000 on July 2020. The annual principal requirements to amortize the 2005 Pension Obligation Bonds outstanding as of June 30, 2008, are as follows:

	2005 Pension Obligation Bonds	
	Principal	Interest
2008 - 2009	\$ 1,205,000	\$ 1,400,022
2009 - 2010	1,365,000	1,339,555
2010 - 2011	1,535,000	1,271,059
2011 - 2012	1,720,000	1,194,033
2012 - 2013	1,920,000	1,107,724
2013 - 2018	13,030,000	3,873,896
2018 - 2020	7,125,000	543,951
Totals	<u>\$ 27,900,000</u>	<u>\$ 10,730,240</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.

Capital Lease Obligations

The City has entered into various capital lease agreements to acquire equipments. 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, 2008:

	Capital Leases	
	Principal	Interest
2008-2009	\$ 97,701	\$ 2,405
2009-2010	10,621	62
Totals	<u>\$ 108,322</u>	<u>\$ 2,467</u>

The Internal Service fund entered into a capital lease agreement to purchase police vehicles. The lease was paid off in the current fiscal year.

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, 2008, 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.

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

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

The following schedule illustrates the annual principal requirements to maturity for the lease obligation as of June 30:

	Police Facility Lease	
	Principal	Interest
2008 - 2009	\$ 493,140	\$ 731,230
2009 - 2010	513,210	710,751
2010 - 2011	534,098	689,438
2011 - 2012	555,836	667,258
2012 - 2013	578,458	644,175
2013 - 2018	3,265,199	2,840,378
2018 - 2023	3,986,000	2,104,907
2023 - 2028	4,865,923	1,207,079
2028 - 2030	3,421,040	212,557
Totals	<u>\$ 18,212,904</u>	<u>\$ 9,807,773</u>

**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.

	Section 108 Loan	
	Principal	Interest
2008 - 2009	\$ 475,000	\$ 337,930
2009 - 2010	475,000	318,103
2010 - 2011	475,000	296,936
2011 - 2012	475,000	274,666
2012 - 2013	485,000	251,240
2013 - 2018	1,775,000	963,708
2018 - 2023	1,775,000	466,460
2023 - 2025	690,000	40,797
Totals	<u>\$ 6,625,000</u>	<u>\$ 2,949,840</u>

**Tax Allocation Bonds**

**1998 Tax Allocation Refunding Bonds**

The 1998 Tax Allocation Refunding Bonds bear interest ranging from 4.20% to 5.24% per annum and payable on March 1 and September 1. Principal payments ranging from \$270,000 to \$675,000 are due annually on September 1, beginning in the year 2005 through the year 2024. The balance at June 30, 2008, amounted to \$7,925,000. The total debt service payment requirements as of June 30, 2008, are as follows:

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

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

	1998 Tax Allocation Refunding Bonds	
	Principal	Interest
2008 - 2009	\$ 305,000	\$ 387,710
2009 - 2010	315,000	373,125
2010 - 2011	340,000	356,750
2011 - 2012	355,000	339,375
2012 - 2013	365,000	321,375
2013 - 2018	2,160,000	1,302,000
2018 - 2023	2,770,000	690,000
2023 - 2028	1,315,000	66,625
Totals	<u>\$ 7,925,000</u>	<u>\$ 3,836,960</u>

**2001 Tax Allocation Refunding Bonds**

The 2001 Tax Allocation Refunding Bonds bear interest ranging from 5.500% to 6.875% per annum and payable on January 1 and July 1. Principal payments ranging from \$145,000 to \$410,000 are due annually on July 1, beginning in the year 2003 through the year 2020. The balance at June 30, 2008, amounted to \$3,725,000. The total debt service payment requirements as of June 30, 2008, are as follows:

	2001 Tax Allocation Refunding Bonds	
	Principal	Interest
2008 - 2009	\$ 195,000	\$ 241,563
2009 - 2010	205,000	229,063
2010 - 2011	215,000	215,938
2011 - 2012	230,000	202,031
2012 - 2013	245,000	187,188
2013 - 2018	1,480,000	663,656
2018 - 2023	1,155,000	122,547
Totals	<u>\$ 3,725,000</u>	<u>\$ 1,861,986</u>

**2004 Tax Allocation Refunding Bonds**

In December 2004, the Community Redevelopment Agency of the City of Hawthorne issued \$4,225,000 Project Area II Tax Allocation Refunding Bonds, Series 2004 for the purpose of refunding, on a current basis, the Agency's outstanding Project Area II 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 ranging from 3.0% to 3.5%, and \$1,500,000 term bonds bearing interest at 4.5% and maturing September 1, 2024. Interest is payable semiannually beginning March 1, 2005. Principal payments ranging from \$75,000 to \$330,000 are due annually on September 1, beginning in the year 2007 through the year 2024. The balance at June 30, 2008, amounted to \$4,150,000. The total debt service payment requirements as of June 30, 2008, are as follows:

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

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

	2004 Tax Allocation Refunding Bonds	
	Principal	Interest
2008 - 2009	\$ 180,000	\$ 161,769
2009 - 2010	190,000	156,219
2010 - 2011	195,000	150,444
2011 - 2012	200,000	144,019
2012 - 2013	210,000	136,739
2013 - 2018	1,150,000	560,953
2018 - 2023	1,380,000	302,488
2023 - 2028	645,000	29,363
Totals	<u>\$ 4,150,000</u>	<u>\$ 1,641,992</u>

**2006 Tax Allocation Bonds**

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, 2008, amounted to \$29,085,000.

	2006 Tax Allocation Bonds	
	Principal	Interest
2008 - 2009	\$ -	\$ 1,454,781
2009 - 2010	-	1,454,781
2010 - 2011	-	1,454,781
2011 - 2012	595,000	1,442,881
2012 - 2013	620,000	1,418,581
2013 - 2018	3,490,000	6,687,772
2018 - 2023	4,375,000	5,765,500
2023 - 2028	5,585,000	4,524,713
2028 - 2033	7,190,000	2,880,413
2033 - 2038	7,230,000	783,563
Totals	<u>\$ 29,085,000</u>	<u>\$ 27,867,766</u>

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

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

Tax Allocation Bonds Debt Service Requirements

As previously discussed, the Agency has pledged, as security for bonds it has issued, either directly or through the Financing Authority, a portion of the tax increment revenue that it receives. These bonds were to provide financing for various capital projects and to defease previously issued bonds. The City has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$82,368,015 with annual debt service requirements as indicated above. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$6,719,943 and the debt service obligation on the bonds was \$2,819,311.

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, 2008. At June 30, 2008, the outstanding balance on the note payable was \$139,244.

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, 2008, amounted to \$21,282,438 including accrued interest of \$8,782,438.

Claims and Judgments

As of June 30, 2008, 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, 2008, total estimated claims payable were \$4,910,454.

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.

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

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

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, 2008, the bonds outstanding from these Community Facility Districts totaled \$2,005,000.

On April 20, 2005, the District issued the 2004-1 (Fusion at South Bay) 2005 Special Tax Bonds totaling \$3,880,000 to acquire an easement and certain public facilities of benefit to the District. As of June 30, 2008, the bonds outstanding from this Community Facility District totaled \$3,815,000.

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, 2008, 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, 2008, the Special Tax Refunding Bonds outstanding totaled \$7,265,000.

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 and Net Assets**

Beginning fund equity has been restated as follows:

Major Governmental Funds:	
General Fund	
To reclassify prior year revenue incorrectly posted to the California Office of Traffic Safety Fund instead of the general fund.	\$ 28,158
Community Redevelopment Agency - Capital Projects	
To restate prior year tax rebate liability not properly accrued in prior year.	318,344
Nonmajor Governmental Funds:	
California Office of Traffic Safety	
To reclassify prior year revenue belonging to the General Fund.	(28,158)
High Intensity Drug Trafficking	
To reclassify prior year expenditure incorrectly posted to the Anti Drug Abuse Grant Fund.	(7,636)
Anti Drug Abuse Grant	
To reclassify prior year expenditure belonging to the High Intensity Drug Trafficking Fund.	7,636
	<u>7,636</u>
Total fund balances and net assets restatements	<u>\$ 318,344</u>

**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.

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 13.281% for miscellaneous employees and 18.733% for safety employees.



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

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

The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

The City annual pension cost and change in net pension asset for fiscal year ending June 30, 2008, were as follows:

Annual required contribution	\$ 5,963,302
Interest on net pension asset	(1,988,927)
Adjustment to annual required contribution	<u>2,246,838</u>
Annual pension cost	6,221,213
Contributions made	<u>5,963,302</u>
Decrease in net pension asset	(257,911)
Net pension asset beginning of year	<u>25,663,570</u>
Net pension asset end of year	<u><u>\$ 25,405,659</u></u>

The summary of principal assumptions and methods used to determine the annual required contribution is shown below:

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	20 Years as of the Valuation
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative
Projected Salary Increases	3.25% to 14.45% depending on age, service,
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

(Amounts in Thousands)			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ 4,297	702.7%	\$ (25,902,659)
6/30/2007	3,512	93.6%	(25,663,570)
6/30/2008	5,963	95.9%	(25,405,659)

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

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

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
6/30/2005	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 %
6/30/2007	113,718	119,827	6,109	94.9	16,437	37.2 %

For fiscal year 2007-2008, 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 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.

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

**Note 9: Other Post-Employment Benefits (Continued)**

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, 2008, expenditures of approximately \$1,634,750 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, 2008, there were 223 retirees and dependent spouses receiving post-employment benefits.

**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, 2008, 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 2008, were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2006-2007	\$ 3,323,774	\$ 1,062,030	\$ (1,350,139)	\$ 3,035,665
2007-2008	3,035,665	2,741,206	(866,417)	4,910,454

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

**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.

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.

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

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

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 2007-2008, the City was assessed \$2,689,094, which was paid to SBRPCA for the operations and maintenance of the consolidated regional public safety services communications system that SBRPCA provides to its member cities.

As of and for the year ended June 30, 2008, SBRPCA's audited financial information is as follows:

South Bay Regional Public Communication Authority	
Net Assets:	
Total assets	\$ 11,510,686
Total liabilities	<u>874,822</u>
Total net assets	<u>\$ 10,635,864</u>

South Bay Regional Public Communication Authority	
Changes in Net Assets:	
Operating revenues	\$ 7,775,123
Operating expenses	<u>7,228,826</u>
Operating income (Loss)	546,297
Nonoperating revenues (expenses)	<u>114,794</u>
Change in net assets	661,091
Beginning net assets	<u>9,974,773</u>
Ending net assets	<u>\$ 10,635,864</u>

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

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

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

**Note 12: Joint Ventures (Continued)**

South Bay Workforce Investment Board

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 under 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.

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<b>Special Revenue Funds</b>			
	<b>Street Lighting</b>	<b>Gas Tax</b>	<b>Street</b>	<b>Asset Forfeiture</b>
<b>Assets:</b>				
Cash and investments	\$ 41,659	\$ 320,213	\$ -	\$ 929,261
Receivables:				
Accounts	-	-	-	-
Taxes	26,154	-	19,598	-
Notes and loans	-	-	-	-
Accrued interest	905	7,375	-	9,857
Due from other governments	-	513,056	4,513	149,476
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 68,718</b>	<b>\$ 840,644</b>	<b>\$ 24,111</b>	<b>\$ 1,088,594</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 60,686	\$ 197,726	\$ 142,182	\$ 6,369
Accrued liabilities	1,468	-	23,296	6,454
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	1,671,421	-
<b>Total Liabilities</b>	<b>62,154</b>	<b>197,726</b>	<b>1,836,899</b>	<b>12,823</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	146	37,957
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	6,564	642,918	(1,812,934)	1,037,814
<b>Total Fund Balances</b>	<b>6,564</b>	<b>642,918</b>	<b>(1,812,788)</b>	<b>1,075,771</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 68,718</b>	<b>\$ 840,644</b>	<b>\$ 24,111</b>	<b>\$ 1,088,594</b>

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

(Continued)

	<u>Special Revenue Funds</u>			
	<u>Anti Drug Abuse Grant</u>	<u>COPS</u>	<u>COPS in School Grant</u>	<u>California Office of Traffic Safety</u>
<b>Assets:</b>				
Cash and investments	\$ -	\$ 360,960	\$ -	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	4,316	-	-
Due from other governments	-	-	-	32,438
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 365,276</b>	<b>\$ -</b>	<b>\$ 32,438</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	21,851
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	32,438
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,289</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	-	365,276	-	(21,851)
<b>Total Fund Balances</b>	<b>-</b>	<b>365,276</b>	<b>-</b>	<b>(21,851)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 365,276</b>	<b>\$ -</b>	<b>\$ 32,438</b>



CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<b>Special Revenue Funds</b>			
	<b>L.A. Clearinghouse LLEBG</b>	<b>Local Law Enforcement Block Grant</b>	<b>Urban Highway</b>	<b>High Intensity Drug Trafficking</b>
<b>Assets:</b>				
Cash and investments	\$ -	\$ 105,712	\$ -	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	1,215	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 106,927</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	2,135	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	96,460	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	7,047
<b>Total Liabilities</b>	<b>-</b>	<b>98,595</b>	<b>-</b>	<b>7,047</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	-	8,332	-	(7,047)
<b>Total Fund Balances</b>	<b>-</b>	<b>8,332</b>	<b>-</b>	<b>(7,047)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 106,927</b>	<b>\$ -</b>	<b>\$ -</b>

## CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

(Continued)

	Special Revenue Funds			
	Proposition A	Proposition C	Rosecrans/ Aviation Project	Air Quality
<b>Assets:</b>				
Cash and investments	\$ 382,060	\$ 600,653	\$ -	\$ 225,712
Receivables:				
Accounts	-	-	128,881	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	5,582	11,244	-	2,494
Due from other governments	98,998	82,122	-	27,802
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 486,640</b>	<b>\$ 694,019</b>	<b>\$ 128,881</b>	<b>\$ 256,008</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 43,100	\$ 40,425	\$ -	\$ 1,160
Accrued liabilities	-	2,036	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	205,553	-	-	-
Due to other funds	-	-	112,537	-
<b>Total Liabilities</b>	<b>248,653</b>	<b>42,461</b>	<b>112,537</b>	<b>1,160</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	32,715	-	-
Unreserved:				
Designated for capital projects	120,000	-	-	-
Designated for debt service	-	-	-	-
Undesignated	117,987	618,843	16,344	254,848
<b>Total Fund Balances</b>	<b>237,987</b>	<b>651,558</b>	<b>16,344</b>	<b>254,848</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 486,640</b>	<b>\$ 694,019</b>	<b>\$ 128,881</b>	<b>\$ 256,008</b>

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<b>Special Revenue Funds</b>			
	<b>Community Development Block Grant</b>	<b>American Down Payment Dream Program</b>	<b>HOME Grant</b>	<b>California Used oil Recycling</b>
<b>Assets:</b>				
Cash and investments	\$ 674,589	\$ -	\$ -	\$ -
Receivables:				
Accounts	-	-	-	34,603
Taxes	-	-	-	-
Notes and loans	4,441,427	15,600	1,714,964	-
Accrued interest	-	-	-	-
Due from other governments	344,805	-	277,134	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 5,460,821</b>	<b>\$ 15,600</b>	<b>\$ 1,992,098</b>	<b>\$ 34,603</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,606	\$ -	\$ 1,000	\$ -
Accrued liabilities	10,613	-	936	454
Deferred revenues	4,765,343	15,600	1,992,098	-
Unearned revenues	-	-	-	-
Deposits payable	17,413	-	-	-
Due to other governments	333,972	-	-	-
Due to other funds	-	-	338,310	67,741
<b>Total Liabilities</b>	<b>5,134,947</b>	<b>15,600</b>	<b>2,332,344</b>	<b>68,195</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	3,400	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	325,874	-	(343,646)	(33,592)
<b>Total Fund Balances</b>	<b>325,874</b>	<b>-</b>	<b>(340,246)</b>	<b>(33,592)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,460,821</b>	<b>\$ 15,600</b>	<b>\$ 1,992,098</b>	<b>\$ 34,603</b>

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

(Continued)

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
	<u>2007 Street Improvements</u>	<u>2009 Street Improvements</u>	<u>Development Impact</u>	<u>Public Financing Authority</u>
<b>Assets:</b>				
Cash and investments	\$ -	\$ 1,432,791	\$ 3,755,777	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	-	39,938	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	1,327,691
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 1,432,791</b>	<b>\$ 3,795,715</b>	<b>\$ 1,327,691</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 200,000	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	161,191
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>161,191</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	3,595,715	-
Designated for debt service	-	-	-	1,166,500
Undesignated	-	1,432,791	-	-
<b>Total Fund Balances</b>	<b>-</b>	<b>1,432,791</b>	<b>3,595,715</b>	<b>1,166,500</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 1,432,791</b>	<b>\$ 3,795,715</b>	<b>\$ 1,327,691</b>

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Debt Service Funds			
	CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2001 Series B Bond	SBRPCA 2007 Series B Bond
<b>Assets:</b>				
Cash and investments	\$ 29,670	\$ -	\$ -	\$ 15,798
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	360,388
<b>Total Assets</b>	<b>\$ 29,670</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 376,186</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	16,945	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>16,945</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	29,670	-	-	376,186
Undesignated	-	(16,945)	-	-
<b>Total Fund Balances</b>	<b>29,670</b>	<b>(16,945)</b>	<b>-</b>	<b>376,186</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 29,670</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 376,186</b>

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Community Redevelopment Agency</u>	
<b>Assets:</b>		
Cash and investments	\$ 2,230,298	\$ 11,105,153
Receivables:		
Accounts	-	163,484
Taxes	443,896	489,648
Notes and loans	-	6,171,991
Accrued interest	-	82,926
Due from other governments	-	1,530,344
Restricted assets:		
Cash and investments with fiscal agents	922,475	2,610,554
<b>Total Assets</b>	<b>\$ 3,596,669</b>	<b>\$ 22,154,100</b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 700,254
Accrued liabilities	-	47,392
Deferred revenues	-	6,794,892
Unearned revenues	-	96,460
Deposits payable	-	17,413
Due to other governments	-	539,525
Due to other funds	-	2,407,630
<b>Total Liabilities</b>	<b>-</b>	<b>10,603,566</b>
<b>Fund Balances:</b>		
Reserved:		
Reserved for encumbrances	-	74,218
Unreserved:		
Designated for capital projects	-	3,715,715
Designated for debt service	3,596,669	5,169,025
Undesignated	-	2,591,576
<b>Total Fund Balances</b>	<b>3,596,669</b>	<b>11,550,534</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,596,669</b>	<b>\$ 22,154,100</b>

CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

**Special Revenue Funds**

	<b>Street Lighting</b>	<b>Gas Tax</b>	<b>Street</b>	<b>Asset Forfeiture</b>
<b>Revenues:</b>				
Taxes	\$ 541,208	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	1,547,906	54,165	-
Charges for services	-	-	268,280	-
Use of money and property	26,082	61,457	-	50,470
Fines and forfeitures	-	-	-	681,879
Contributions	-	72,203	-	-
Miscellaneous	-	1,566	105,110	-
<b>Total Revenues</b>	<b>567,290</b>	<b>1,683,132</b>	<b>427,555</b>	<b>732,349</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	390,609
Community development	-	-	-	-
Public works	706,554	1,519,051	2,335,236	-
Capital outlay	-	164,796	24,185	110,056
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>706,554</b>	<b>1,683,847</b>	<b>2,359,421</b>	<b>500,665</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(139,264)	(715)	(1,931,866)	231,684
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	550,000	-
Transfers out	(500,000)	(650,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(500,000)</b>	<b>(650,000)</b>	<b>550,000</b>	<b>-</b>
Net Change in Fund Balances	\$ (639,264)	\$ (650,715)	\$ (1,381,866)	\$ 231,684
<b>Fund Balances:</b>				
Beginning of year, as originally reported	\$ 645,828	\$ 1,293,633	\$ (430,922)	\$ 844,087
Restatements	-	-	-	-
Beginning of year, as restated	645,828	1,293,633	(430,922)	844,087
Net change in fund balances	(639,264)	(650,715)	(1,381,866)	231,684
<b>End of year</b>	<b>\$ 6,564</b>	<b>\$ 642,918</b>	<b>\$ (1,812,788)</b>	<b>\$ 1,075,771</b>

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

(Continued)

	<b>Special Revenue Funds</b>			
	<b>Anti Drug Abuse Grant</b>	<b>COPS</b>	<b>COPS in School Grant</b>	<b>California Office of Traffic Safety</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	171,293	-	26,119
Charges for services	-	-	-	-
Use of money and property	-	23,063	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>194,356</b>	<b>-</b>	<b>26,119</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	39,364	177,868	-	47,970
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>39,364</b>	<b>177,868</b>	<b>-</b>	<b>47,970</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,364)	16,488	-	(21,851)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(14,048)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(14,048)</b>	<b>-</b>
Net Change in Fund Balances	\$ (39,364)	\$ 16,488	\$ (14,048)	\$ (21,851)
<b>Fund Balances:</b>				
Beginning of year, as originally reported	\$ 31,728	\$ 348,788	\$ 14,048	\$ 28,158
Restatements	7,636	-	-	(28,158)
Beginning of year, as restated	39,364	348,788	14,048	-
Net change in fund balances	(39,364)	16,488	(14,048)	(21,851)
<b>End of year</b>	<b>\$ -</b>	<b>\$ 365,276</b>	<b>\$ -</b>	<b>\$ (21,851)</b>



CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	<b>Special Revenue Funds</b>			
	<b>L.A. Clearinghouse LLEBG</b>	<b>Local Law Enforcement Block Grant</b>	<b>Urban Highway</b>	<b>High Intensity Drug Trafficking</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	79,355	-	796,689
Charges for services	-	-	-	-
Use of money and property	-	7,776	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>87,131</b>	<b>-</b>	<b>796,689</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	87,131	4,319	537,920
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	41,470
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>87,131</b>	<b>4,319</b>	<b>579,390</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(4,319)	217,299
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	(1,087)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,087)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	\$ (1,087)	\$ -	\$ (4,319)	\$ 217,299
<b>Fund Balances:</b>				
Beginning of year, as originally reported	\$ 1,087	\$ 8,332	\$ 4,319	\$ (216,710)
Restatements	-	-	-	(7,636)
Beginning of year, as restated	1,087	8,332	4,319	(224,346)
Net change in fund balances	(1,087)	-	(4,319)	217,299
<b>End of year</b>	<b>\$ -</b>	<b>\$ 8,332</b>	<b>\$ -</b>	<b>\$ (7,047)</b>

## CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

(Continued)

	Special Revenue Funds			
	Proposition A	Proposition C	Rosencrans/ Aviation Project	Air Quality
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,414,318	1,177,630	1,561,971	106,394
Charges for services	29,918	-	-	-
Use of money and property	25,000	50,316	-	13,072
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	1,604,817	-
<b>Total Revenues</b>	<b>1,469,236</b>	<b>1,227,946</b>	<b>3,166,788</b>	<b>119,466</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	117,650
Public works	1,647,234	1,160,458	-	-
Capital outlay	-	-	1,355,833	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>1,647,234</b>	<b>1,160,458</b>	<b>1,355,833</b>	<b>117,650</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(177,998)	67,488	1,810,955	1,816
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	1,150,000	-
Transfers out	-	-	(550,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>600,000</b>	<b>-</b>
Net Change in Fund Balances	\$ (177,998)	\$ 67,488	\$ 2,410,955	\$ 1,816
<b>Fund Balances:</b>				
Beginning of year, as originally reported	\$ 415,985	\$ 584,070	\$ (2,394,611)	\$ 253,032
Restatements	-	-	-	-
Beginning of year, as restated	415,985	584,070	(2,394,611)	253,032
Net change in fund balances	(177,998)	67,488	2,410,955	1,816
<b>End of year</b>	<b>\$ 237,987</b>	<b>\$ 651,558</b>	<b>\$ 16,344</b>	<b>\$ 254,848</b>

CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	<b>Special Revenue Funds</b>			
	<b>Community Development Block Grant</b>	<b>American Down Payment Dream Program</b>	<b>HOME Grant</b>	<b>California Used oil Recycling</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	2,648,889	-	691,327	47,971
Charges for services	534,629	-	28,247	-
Use of money and property	-	-	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>3,183,518</b>	<b>-</b>	<b>719,574</b>	<b>47,971</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	2,085,452	-	968,461	-
Public works	-	-	-	35,459
Capital outlay	10,211	-	-	-
Debt service:				
Principal retirement	475,000	-	-	-
Interest and fiscal charges	356,113	-	-	-
<b>Total Expenditures</b>	<b>2,926,776</b>	<b>-</b>	<b>968,461</b>	<b>35,459</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	256,742	-	(248,887)	12,512
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	<b>\$ 256,742</b>	<b>\$ -</b>	<b>\$ (248,887)</b>	<b>\$ 12,512</b>
<b>Fund Balances:</b>				
Beginning of year, as originally reported	\$ 69,132	\$ -	\$ (91,359)	\$ (46,104)
Restatements	-	-	-	-
Beginning of year, as restated	69,132	-	(91,359)	(46,104)
Net change in fund balances	256,742	-	(248,887)	12,512
<b>End of year</b>	<b>\$ 325,874</b>	<b>\$ -</b>	<b>\$ (340,246)</b>	<b>\$ (33,592)</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

(Continued)

	Special Revenue Funds		Capital Projects Fund	Debt Service Fund
	2007 Street Improvements	2009 Street Improvements	Development Impact	Public Financing Authority
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	2,474,906	-
Intergovernmental	546,450	1,432,791	-	-
Charges for services	-	-	-	-
Use of money and property	-	-	165,039	7,712
Fines and forfeitures	-	-	-	-
Contributions	35,491	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>581,941</b>	<b>1,432,791</b>	<b>2,639,945</b>	<b>7,712</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	11,788
Public safety	-	-	-	-
Community development	-	-	5,832	-
Public works	-	-	-	-
Capital outlay	581,941	-	305,685	-
Debt service:				
Principal retirement	-	-	-	330,000
Interest and fiscal charges	-	-	-	388,003
<b>Total Expenditures</b>	<b>581,941</b>	<b>-</b>	<b>311,517</b>	<b>729,791</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1,432,791	2,328,428	(722,079)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	725,247
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>725,247</b>
Net Change in Fund Balances	\$ -	\$ 1,432,791	\$ 2,328,428	\$ 3,168
<b>Fund Balances:</b>				
Beginning of year, as originally reported	\$ -	\$ -	\$ 1,267,287	\$ 1,163,332
Restatements	-	-	-	-
Beginning of year, as restated	-	-	1,267,287	1,163,332
Net change in fund balances	-	1,432,791	2,328,428	3,168
<b>End of year</b>	<b>\$ -</b>	<b>\$ 1,432,791</b>	<b>\$ 3,595,715</b>	<b>\$ 1,166,500</b>

CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	<b>Debt Service Funds</b>			
	<b>CIEDB Police Facility Lease Obligation</b>	<b>2005 PERS Obligation Bonds</b>	<b>SBRPCA 2001 Series B Bond</b>	<b>SBRPCA 2007 Series B Bond</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	-	-	9,747
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	2,435,608	-	-
<b>Total Revenues</b>	<b>-</b>	<b>2,435,608</b>	<b>-</b>	<b>9,747</b>
<b>Expenditures:</b>				
Current:				
General government	64,556	-	-	1,652
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	473,854	1,055,000	-	85,000
Interest and fiscal charges	750,908	1,448,926	-	152,481
<b>Total Expenditures</b>	<b>1,289,318</b>	<b>2,503,926</b>	<b>-</b>	<b>239,133</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,289,318)	(68,318)	-	(229,386)
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,280,000	-	8,782	245,000
Transfers out	-	-	-	(8,782)
<b>Total Other Financing Sources (Uses)</b>	<b>1,280,000</b>	<b>-</b>	<b>8,782</b>	<b>236,218</b>
Net Change in Fund Balances	\$ (9,318)	\$ (68,318)	\$ 8,782	\$ 6,832
<b>Fund Balances:</b>				
Beginning of year, as originally reported	\$ 38,988	\$ 51,373	\$ (8,782)	\$ 369,354
Restatements	-	-	-	-
Beginning of year, as restated	38,988	51,373	(8,782)	369,354
Net change in fund balances	(9,318)	(68,318)	8,782	6,832
<b>End of year</b>	<b>\$ 29,670</b>	<b>\$ (16,945)</b>	<b>\$ -</b>	<b>\$ 376,186</b>

CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Community Redevelopment Agency</u>	
<b>Revenues:</b>		
Taxes	\$ 8,028,624	\$ 8,569,832
Licenses and permits	-	2,474,906
Intergovernmental	-	12,303,268
Charges for services	-	861,074
Use of money and property	42,188	481,922
Fines and forfeitures	-	681,879
Contributions	-	107,694
Miscellaneous	5,500	4,152,601
<b>Total Revenues</b>	<b>8,076,312</b>	<b>29,633,176</b>
<b>Expenditures:</b>		
Current:		
General government	2,940,635	3,018,631
Public safety	-	1,285,181
Community development	-	3,177,395
Public works	-	7,403,992
Capital outlay	-	2,594,177
Debt service:		
Principal retirement	545,000	2,963,854
Interest and fiscal charges	2,274,311	5,370,742
<b>Total Expenditures</b>	<b>5,759,946</b>	<b>25,813,972</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,316,366	3,819,204
<b>Other Financing Sources (Uses):</b>		
Transfers in	1,400,000	5,359,029
Transfers out	(5,700,000)	(7,423,917)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,300,000)</b>	<b>(2,064,888)</b>
Net Change in Fund Balances	\$ (1,983,634)	\$ 1,754,316
<b>Fund Balances:</b>		
Beginning of year, as originally reported	\$ 5,580,303	\$ 9,824,376
Restatements	-	(28,158)
Beginning of year, as restated	5,580,303	9,796,218
Net change in fund balances	(1,983,634)	1,754,316
<b>End of year</b>	<b>\$ 3,596,669</b>	<b>\$ 11,550,534</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
STREET LIGHTING  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 645,828	\$ 645,828	\$ 645,828	\$ -
<b>Resources (Inflows):</b>				
Taxes	551,000	551,000	541,208	(9,792)
Use of money and property	20,000	20,000	26,082	6,082
<b>Amounts Available for Appropriation</b>	<b>1,216,828</b>	<b>1,216,828</b>	<b>1,213,118</b>	<b>(3,710)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	659,201	659,201	706,554	(47,353)
Transfers out	-	-	500,000	(500,000)
<b>Total Charges to Appropriations</b>	<b>659,201</b>	<b>659,201</b>	<b>1,206,554</b>	<b>(547,353)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 557,627</b>	<b>\$ 557,627</b>	<b>\$ 6,564</b>	<b>\$ (551,063)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 1,293,633	\$ 1,293,633	\$ 1,293,633	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,960,000	1,590,000	1,547,906	(42,094)
Use of money and property	20,000	20,000	61,457	41,457
Contributions	-	-	72,203	72,203
Miscellaneous	5,000	5,000	1,566	(3,434)
<b>Amounts Available for Appropriation</b>	<b>3,278,633</b>	<b>2,908,633</b>	<b>2,976,765</b>	<b>68,132</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,938,213	1,938,213	1,519,051	419,162
Capital outlay	200,000	200,000	164,796	35,204
Transfers out	-	-	650,000	(650,000)
<b>Total Charges to Appropriations</b>	<b>2,138,213</b>	<b>2,138,213</b>	<b>2,333,847</b>	<b>(195,634)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,140,420</b>	<b>\$ 770,420</b>	<b>\$ 642,918</b>	<b>\$ (127,502)</b>



CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
STREET  
YEAR ENDED JUNE 30, 2008**

	<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	\$ (430,922)	\$ (430,922)	\$ (430,922)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	55,000	55,000	54,165	(835)
Charges for services	215,000	215,000	268,280	53,280
Use of money and property	1,000	1,000	-	(1,000)
Miscellaneous	5,000	5,000	105,110	100,110
Transfers in	-	-	550,000	550,000
<b>Amounts Available for Appropriation</b>	<b>(154,922)</b>	<b>(154,922)</b>	<b>546,633</b>	<b>701,555</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	2,136,986	2,136,986	2,335,236	(198,250)
Capital outlay	30,000	30,000	24,185	5,815
<b>Total Charges to Appropriations</b>	<b>2,166,986</b>	<b>2,166,986</b>	<b>2,359,421</b>	<b>(192,435)</b>
<b>Budgetary Fund Balance, June 30</b>	<b><u><u>\$ (2,321,908)</u></u></b>	<b><u><u>\$ (2,321,908)</u></u></b>	<b><u><u>\$ (1,812,788)</u></u></b>	<b><u><u>\$ 509,120</u></u></b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
ASSET FORFEITURE  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 844,087	\$ 844,087	\$ 844,087	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	30,000	30,000	50,470	20,470
Fines and forfeitures	300,000	300,000	681,879	381,879
<b>Amounts Available for Appropriation</b>	<b>1,174,087</b>	<b>1,174,087</b>	<b>1,576,436</b>	<b>402,349</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	215,522	215,522	390,609	(175,087)
Capital outlay	75,000	125,000	110,056	14,944
<b>Total Charges to Appropriations</b>	<b>290,522</b>	<b>340,522</b>	<b>500,665</b>	<b>(160,143)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 883,565</b>	<b>\$ 833,565</b>	<b>\$ 1,075,771</b>	<b>\$ 242,206</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
COPS  
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 348,788	\$ 348,788	\$ 348,788	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	170,000	170,000	171,293	1,293
Use of money and property	10,000	10,000	23,063	13,063
<b>Amounts Available for Appropriation</b>	<b>528,788</b>	<b>528,788</b>	<b>543,144</b>	<b>14,356</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	177,871	177,871	177,868	3
<b>Total Charges to Appropriations</b>	<b>177,871</b>	<b>177,871</b>	<b>177,868</b>	<b>3</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 350,917</b>	<b>\$ 350,917</b>	<b>\$ 365,276</b>	<b>\$ 14,359</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
CALIFORNIA OFFICE OF TRAFFIC SAFETY  
YEAR ENDED JUNE 30, 2008**

	<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, as restated	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	62,126	26,119	(36,007)
<b>Amounts Available for Appropriation</b>	<b>-</b>	<b>62,126</b>	<b>26,119</b>	<b>(36,007)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	62,126	47,970	14,156
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>62,126</b>	<b>47,970</b>	<b>14,156</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (21,851)</b>	<b>\$ (21,851)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
 LOCAL LAW ENFORCEMENT BLOCK GRANT  
 YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,332	\$ 8,332	\$ 8,332	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	53,061	79,355	26,294
Use of money and property	5,000	6,222	7,776	1,554
<b>Amounts Available for Appropriation</b>	<b>13,332</b>	<b>67,615</b>	<b>95,463</b>	<b>27,848</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	137,067	191,350	87,131	104,219
<b>Total Charges to Appropriations</b>	<b>137,067</b>	<b>191,350</b>	<b>87,131</b>	<b>104,219</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (123,735)</b>	<b>\$ (123,735)</b>	<b>\$ 8,332</b>	<b>\$ 132,067</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 URBAN HIGHWAY  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,319	\$ 4,319	\$ 4,319	\$ -
<b>Resources (Inflows):</b>				
Fines and forfeitures	-	3,133	-	(3,133)
<b>Amounts Available for Appropriation</b>	<b>4,319</b>	<b>7,452</b>	<b>4,319</b>	<b>(3,133)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	4,319	4,319	-
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>4,319</b>	<b>4,319</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 4,319</b>	<b>\$ 3,133</b>	<b>\$ -</b>	<b>\$ (3,133)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
HIGH INTENSITY DRUG TRAFFICKING  
YEAR ENDED JUNE 30, 2008**

	<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, as restated	\$ (224,346)	\$ (224,346)	\$ (224,346)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	609,611	796,689	187,078
<b>Amounts Available for Appropriation</b>	<b>(224,346)</b>	<b>385,265</b>	<b>572,343</b>	<b>187,078</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	-	614,164	537,920	76,244
Capital outlay	-	60,630	41,470	19,160
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>674,794</b>	<b>579,390</b>	<b>95,404</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (224,346)</b>	<b>\$ (289,529)</b>	<b>\$ (7,047)</b>	<b>\$ 282,482</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
PROPOSITION A  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 415,985	\$ 415,985	\$ 415,985	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,450,000	1,450,000	1,414,318	(35,682)
Charges for services	25,000	25,000	29,918	4,918
Use of money and property	20,000	20,000	25,000	5,000
<b>Amounts Available for Appropriation</b>	<b>1,910,985</b>	<b>1,910,985</b>	<b>1,885,221</b>	<b>(25,764)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,564,954	1,564,954	1,647,234	(82,280)
<b>Total Charges to Appropriations</b>	<b>1,564,954</b>	<b>1,564,954</b>	<b>1,647,234</b>	<b>(82,280)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 346,031</b>	<b>\$ 346,031</b>	<b>\$ 237,987</b>	<b>\$ (108,044)</b>



CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
PROPOSITION C  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 584,070	\$ 584,070	\$ 584,070	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,210,000	1,210,000	1,177,630	(32,370)
Use of money and property	30,000	30,000	50,316	20,316
<b>Amounts Available for Appropriation</b>	<b>1,824,070</b>	<b>1,824,070</b>	<b>1,812,016</b>	<b>(12,054)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,167,139	1,227,139	1,160,458	66,681
<b>Total Charges to Appropriations</b>	<b>1,167,139</b>	<b>1,227,139</b>	<b>1,160,458</b>	<b>66,681</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 656,931</b>	<b>\$ 596,931</b>	<b>\$ 651,558</b>	<b>\$ 54,627</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
ROSECRANS/AVIATION PROJECT  
YEAR ENDED JUNE 30, 2008**

	<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	\$ (2,394,611)	\$ (2,394,611)	\$ (2,394,611)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	1,561,971	1,561,971
Miscellaneous	-	-	1,604,817	1,604,817
Transfers in	-	-	1,150,000	1,150,000
<b>Amounts Available for Appropriation</b>	<b>(2,394,611)</b>	<b>(2,394,611)</b>	<b>1,922,177</b>	<b>4,316,788</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	10,813	10,813	1,355,833	(1,345,020)
Transfers out	-	-	550,000	(550,000)
<b>Total Charges to Appropriations</b>	<b>10,813</b>	<b>10,813</b>	<b>1,905,833</b>	<b>(1,895,020)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (2,405,424)</b>	<b>\$ (2,405,424)</b>	<b>\$ 16,344</b>	<b>\$ 2,421,768</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
AIR QUALITY  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 253,032	\$ 253,032	\$ 253,032	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	105,000	105,000	106,394	1,394
Use of money and property	5,000	5,000	13,072	8,072
<b>Amounts Available for Appropriation</b>	<b>363,032</b>	<b>363,032</b>	<b>372,498</b>	<b>9,466</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	116,054	116,054	117,650	(1,596)
<b>Total Charges to Appropriations</b>	<b>116,054</b>	<b>116,054</b>	<b>117,650</b>	<b>(1,596)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 246,978</b>	<b>\$ 246,978</b>	<b>\$ 254,848</b>	<b>\$ 7,870</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT BLOCK GRANT  
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 69,132	\$ 69,132	\$ 69,132	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	2,440,704	2,440,704	2,648,889	208,185
Charges for services	300,000	300,000	534,629	234,629
<b>Amounts Available for Appropriation</b>	<b>2,809,836</b>	<b>2,809,836</b>	<b>3,252,650</b>	<b>442,814</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	1,909,588	1,909,588	2,085,452	(175,864)
Capital outlay	-	5,000	10,211	(5,211)
Debt service:				
Principal retirement	475,000	475,000	475,000	-
Interest and fiscal charges	356,115	356,115	356,113	2
<b>Total Charges to Appropriations</b>	<b>2,740,703</b>	<b>2,745,703</b>	<b>2,926,776</b>	<b>(181,073)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 69,133</b>	<b>\$ 64,133</b>	<b>\$ 325,874</b>	<b>\$ 261,741</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
 AMERICAN DOWN PAYMENT DREAM PROGRAM  
 YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	34,539	34,539	-	(34,539)
<b>Amounts Available for Appropriation</b>	<b>34,539</b>	<b>34,539</b>	-	<b>(34,539)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	34,539	34,539	-	34,539
<b>Total Charges to Appropriations</b>	<b>34,539</b>	<b>34,539</b>	-	<b>34,539</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
HOME GRANT  
YEAR ENDED JUNE 30, 2008**

	<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	\$ (91,359)	\$ (91,359)	\$ (91,359)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	3,350,489	3,350,489	691,327	(2,659,162)
Charges for services	-	-	28,247	28,247
<b>Amounts Available for Appropriation</b>	<b>3,259,130</b>	<b>3,259,130</b>	<b>628,215</b>	<b>(2,630,915)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	3,350,489	3,350,489	968,461	2,382,028
<b>Total Charges to Appropriations</b>	<b>3,350,489</b>	<b>3,350,489</b>	<b>968,461</b>	<b>2,382,028</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (91,359)</b>	<b>\$ (91,359)</b>	<b>\$ (340,246)</b>	<b>\$ (248,887)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
CALIFORNIA USED OIL RECYCLING  
YEAR ENDED JUNE 30, 2008**

	<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	\$ (46,104)	\$ (46,104)	\$ (46,104)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	44,081	44,081	47,971	3,890
Use of money and property	200	200	-	(200)
<b>Amounts Available for Appropriation</b>	<b>(1,823)</b>	<b>(1,823)</b>	<b>1,867</b>	<b>3,690</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	44,059	44,059	35,459	8,600
<b>Total Charges to Appropriations</b>	<b>44,059</b>	<b>44,059</b>	<b>35,459</b>	<b>8,600</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (45,882)</b>	<b>\$ (45,882)</b>	<b>\$ (33,592)</b>	<b>\$ 12,290</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
2007 STREET IMPROVEMENTS  
YEAR ENDED JUNE 30, 2008**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	613,304	546,450	(66,854)
Contributions	-	-	35,491	35,491
<b>Amounts Available for Appropriation</b>	<b>-</b>	<b>613,304</b>	<b>581,941</b>	<b>(31,363)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	613,304	581,941	31,363
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>613,304</b>	<b>581,941</b>	<b>31,363</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 DEVELOPMENT IMPACT  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,267,287	\$ 1,267,287	\$ 1,267,287	\$ -
<b>Resources (Inflows):</b>				
Licenses and permits	500,000	500,000	2,474,906	1,974,906
Use of money and property	30,000	30,000	165,039	135,039
<b>Amounts Available for Appropriation</b>	<b>1,797,287</b>	<b>1,797,287</b>	<b>3,907,232</b>	<b>2,109,945</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	25,828	25,828	5,832	19,996
Capital outlay	500,000	504,530	305,685	198,845
<b>Total Charges to Appropriations</b>	<b>525,828</b>	<b>530,358</b>	<b>311,517</b>	<b>218,841</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,271,459</b>	<b>\$ 1,266,929</b>	<b>\$ 3,595,715</b>	<b>\$ 2,328,786</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY REDEVELOPMENT AGENCY - CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, as restated	\$ (54,627,891)	\$ (54,627,891)	\$ (54,627,891)	\$ -
<b>Resources (Inflows):</b>				
Taxes	1,700,000	1,700,000	1,808,867	108,867
Use of money and property	215,000	150,000	353,170	203,170
Miscellaneous	800	-	107,059	107,059
Transfers in	4,435,000	4,435,000	4,435,000	-
Notes and loans issued	-	-	1,125,000	1,125,000
<b>Amounts Available for Appropriation</b>	<b>(48,277,091)</b>	<b>(48,342,891)</b>	<b>(46,798,795)</b>	<b>1,544,096</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	2,857,624	2,826,885	3,141,646	(314,761)
Debt service:				
Principal retirement	149,687	149,687	257,529	(107,842)
Interest and fiscal charges	1,375,000	1,375,000	1,599,571	(224,571)
Transfers out	-	-	-	-
<b>Total Charges to Appropriations</b>	<b>4,382,311</b>	<b>4,351,572</b>	<b>4,998,746</b>	<b>(647,174)</b>
<b>Budgetary Fund Balance, June 30</b>	<b><u><u>\$ (52,659,402)</u></u></b>	<b><u><u>\$ (52,694,463)</u></u></b>	<b><u><u>\$ (51,797,541)</u></u></b>	<b><u><u>\$ 896,922</u></u></b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC FINANCING AUTHORITY  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 1,163,332	\$ 1,163,332	\$ 1,163,332	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	8,000	8,000	7,712	(288)
Transfers in	725,250	725,250	725,247	(3)
<b>Amounts Available for Appropriation</b>	<b>1,896,582</b>	<b>1,896,582</b>	<b>1,896,291</b>	<b>(291)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	10,183	10,183	11,788	(1,605)
Debt service:				
Principal retirement	330,000	330,000	330,000	-
Interest and fiscal charges	388,003	388,003	388,003	-
<b>Total Charges to Appropriations</b>	<b>728,186</b>	<b>728,186</b>	<b>729,791</b>	<b>(1,605)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,168,396</b>	<b>\$ 1,168,396</b>	<b>\$ 1,166,500</b>	<b>\$ (1,896)</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 CIEDB POLICE FACILITY LEASE OBLIGATION  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 38,988	\$ 38,988	\$ 38,988	\$ -
<b>Resources (Inflows):</b>				
Transfers in	1,280,000	1,280,000	1,280,000	-
<b>Amounts Available for Appropriation</b>	<b>1,318,988</b>	<b>1,318,988</b>	<b>1,318,988</b>	<b>-</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	64,556	64,556	64,556	-
Debt service:				
Principal retirement	473,854	473,854	473,854	-
Interest and fiscal charges	750,908	750,908	750,908	-
<b>Total Charges to Appropriations</b>	<b>1,289,318</b>	<b>1,289,318</b>	<b>1,289,318</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 29,670</b>	<b>\$ 29,670</b>	<b>\$ 29,670</b>	<b>\$ -</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 2005 PERS OBLIGATION BONDS  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 51,373	\$ 51,373	\$ 51,373	\$ -
<b>Resources (Inflows):</b>				
Miscellaneous	2,507,962	2,507,962	2,435,608	(72,354)
<b>Amounts Available for Appropriation</b>	<b>2,559,335</b>	<b>2,559,335</b>	<b>2,486,981</b>	<b>(72,354)</b>
<b>Charges to Appropriation (Outflow):</b>				
Debt service:				
Principal retirement	1,055,000	1,055,000	1,055,000	-
Interest and fiscal charges	1,452,962	1,452,962	1,448,926	4,036
<b>Total Charges to Appropriations</b>	<b>2,507,962</b>	<b>2,507,962</b>	<b>2,503,926</b>	<b>4,036</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 51,373</b>	<b>\$ 51,373</b>	<b>\$ (16,945)</b>	<b>\$ (68,318)</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 SBRPCA 2007 SERIES B BOND  
 YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 369,354	\$ 369,354	\$ 369,354	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	-	-	9,747	9,747
Transfers in	245,000	245,000	245,000	-
<b>Amounts Available for Appropriation</b>	<b>614,354</b>	<b>614,354</b>	<b>624,101</b>	<b>9,747</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	4,200	4,200	1,652	2,548
Debt service:				
Principal retirement	85,000	85,000	85,000	-
Interest and fiscal charges	152,481	152,481	152,481	-
Transfers out	-	-	8,782	(8,782)
<b>Total Charges to Appropriations</b>	<b>241,681</b>	<b>241,681</b>	<b>247,915</b>	<b>(6,234)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 372,673</b>	<b>\$ 372,673</b>	<b>\$ 376,186</b>	<b>\$ 3,513</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY REDEVELOPMENT AGENCY - DEBT SERVICE  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 5,580,303	\$ 5,580,303	\$ 5,580,303	\$ -
<b>Resources (Inflows):</b>				
Taxes	7,402,000	7,402,000	8,028,624	626,624
Use of money and property	31,400	31,400	42,188	10,788
Miscellaneous	-	-	5,500	5,500
Transfers in	1,400,000	1,400,000	1,400,000	-
<b>Amounts Available for Appropriation</b>	<b>14,413,703</b>	<b>14,413,703</b>	<b>15,056,615</b>	<b>642,912</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	3,208,444	3,217,474	2,940,635	276,839
Debt service:				
Principal retirement	545,000	545,000	545,000	-
Interest and fiscal charges	2,274,310	2,274,311	2,274,311	-
Transfers out	5,700,000	5,700,000	5,700,000	-
<b>Total Charges to Appropriations</b>	<b>11,727,754</b>	<b>11,736,785</b>	<b>11,459,946</b>	<b>276,839</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 2,685,949</b>	<b>\$ 2,676,918</b>	<b>\$ 3,596,669</b>	<b>\$ 919,751</b>

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2008**

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Assets:</b>			
Current:			
Cash and investments	\$ -	\$ 1,085,297	\$ 1,085,297
Receivables:			
Accounts	138,130	103,619	241,749
<b>Total Current Assets</b>	<b>138,130</b>	<b>1,188,916</b>	<b>1,327,046</b>
Noncurrent:			
Capital assets - net of accumulated depreciation	2,879,661	356,660	3,236,321
<b>Total Noncurrent Assets</b>	<b>2,879,661</b>	<b>356,660</b>	<b>3,236,321</b>
<b>Total Assets</b>	<b>\$ 3,017,791</b>	<b>\$ 1,545,576</b>	<b>\$ 4,563,367</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 467,922	\$ 47,314	\$ 515,236
Accrued liabilities	8,288	11,045	19,333
Deposits payable	7,383	-	7,383
Due to other funds	168,245	-	168,245
Accrued compensated absences	13,221	-	13,221
<b>Total Current Liabilities</b>	<b>665,059</b>	<b>58,359</b>	<b>723,418</b>
Noncurrent:			
Accrued compensated absences	86,436	-	86,436
<b>Total Noncurrent Liabilities</b>	<b>86,436</b>	<b>-</b>	<b>86,436</b>
<b>Total Liabilities</b>	<b>751,495</b>	<b>58,359</b>	<b>809,854</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	2,879,661	356,660	3,236,321
Unrestricted	(613,365)	1,130,557	517,192
<b>Total Net Assets</b>	<b>2,266,296</b>	<b>1,487,217</b>	<b>3,753,513</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,017,791</b>	<b>\$ 1,545,576</b>	<b>\$ 4,563,367</b>



CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2008**

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Operating Revenues:</b>			
Sales and service charges	\$ 196,088	\$ 1,320,802	\$ 1,516,890
Miscellaneous	66,000	4,042	70,042
<b>Total Operating Revenues</b>	<b>262,088</b>	<b>1,324,844</b>	<b>1,586,932</b>
<b>Operating Expenses:</b>			
Materials and supplies	4,329,491	73,615	4,403,106
Cost of sales and services	568,443	447,310	1,015,753
Administration and general	773,492	452,730	1,226,222
Depreciation expense	160,228	31,268	191,496
<b>Total Operating Expenses</b>	<b>5,831,654</b>	<b>1,004,923</b>	<b>6,836,577</b>
Operating Income (Loss)	(5,569,566)	319,921	(5,249,645)
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental	4,872,028	-	4,872,028
Interest revenue	391,870	-	391,870
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,263,898</b>	<b>-</b>	<b>5,263,898</b>
Changes in Net Assets	(305,668)	319,921	14,253
<b>Net Assets:</b>			
Beginning of Fiscal Year	2,571,964	1,167,296	3,739,260
<b>End of Fiscal Year</b>	<b>\$ 2,266,296</b>	<b>\$ 1,487,217</b>	<b>\$ 3,753,513</b>

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 154,852	\$ 1,315,010	\$ 1,469,862
Cash paid to supplies for goods and services	(5,124,221)	(577,315)	(5,701,536)
Cash paid to employees for services	(755,970)	(492,774)	(1,248,744)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(5,725,339)</u></b>	<b><u>244,921</u></b>	<b><u>(5,480,418)</u></b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Repayment made to other funds	37,892	-	37,892
Grant subsidy	5,381,338	-	5,381,338
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b><u>5,419,230</u></b>	<b><u>-</u></b>	<b><u>5,419,230</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(51,263)	(85,081)	(136,344)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b><u>(51,263)</u></b>	<b><u>(85,081)</u></b>	<b><u>(136,344)</u></b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	357,372	-	357,372
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>357,372</u></b>	<b><u>-</u></b>	<b><u>357,372</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-</b>	<b>159,840</b>	<b>159,840</b>
Cash and Cash Equivalents at Beginning of Year	-	925,457	925,457
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ -</u></b>	<b><u>\$ 1,085,297</u></b>	<b><u>\$ 1,085,297</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (5,569,566)	\$ 319,921	\$ (5,249,645)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	160,228	31,268	191,496
(Increase) decrease in accounts receivable	(110,995)	(9,834)	(120,829)
Increase (decrease) in accounts payable	(226,204)	(56,390)	(282,594)
Increase (decrease) in accrued liabilities	2,479	(40,044)	(37,565)
Increase (decrease) in due to other governments	(83)	-	(83)
Increase (decrease) in deposits payable	3,759	-	3,759
Increase (decrease) in compensated absences	15,043	-	15,043
<b>Total Adjustments</b>	<b><u>(155,773)</u></b>	<b><u>(75,000)</u></b>	<b><u>(230,773)</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (5,725,339)</u></b>	<b><u>\$ 244,921</u></b>	<b><u>\$ (5,480,418)</u></b>

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

During current fiscal year, there was no noncash investing, capital or financing activities.

CITY OF HAWTHORNE

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2008**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total Internal Service Funds</u>
<b>Assets:</b>			
Current:			
Cash and investments	\$ 2,630,264	\$ 76,369	\$ 2,706,633
Receivables:			
Accounts	-	47,703	47,703
Notes and loans	310,000	-	310,000
Inventories	14,311	-	14,311
<b>Total Current Assets</b>	<b><u>2,954,575</u></b>	<b><u>124,072</u></b>	<b><u>3,078,647</u></b>
Noncurrent:			
Capital assets - net of accumulated depreciation	1,219,288	-	1,219,288
<b>Total Noncurrent Assets</b>	<b><u>1,219,288</u></b>	<b><u>-</u></b>	<b><u>1,219,288</u></b>
<b>Total Assets</b>	<b><u>\$ 4,173,863</u></b>	<b><u>\$ 124,072</u></b>	<b><u>\$ 4,297,935</u></b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 191,419	\$ 106,297	\$ 297,716
Accrued liabilities	9,050	7,437	16,487
Compensated absences	2,810	-	2,810
Claims and judgments	-	1,401,505	1,401,505
<b>Total Current Liabilities</b>	<b><u>203,279</u></b>	<b><u>1,515,239</u></b>	<b><u>1,718,518</u></b>
Noncurrent:			
Compensated absences	8,429	-	8,429
Claims and judgments	-	3,508,949	3,508,949
<b>Total Noncurrent Liabilities</b>	<b><u>8,429</u></b>	<b><u>3,508,949</u></b>	<b><u>3,517,378</u></b>
<b>Total Liabilities</b>	<b><u>211,708</u></b>	<b><u>5,024,188</u></b>	<b><u>5,235,896</u></b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	1,219,288	-	1,219,288
Unrestricted	2,742,867	(4,900,116)	(2,157,249)
<b>Total Net Assets</b>	<b><u>3,962,155</u></b>	<b><u>(4,900,116)</u></b>	<b><u>(937,961)</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 4,173,863</u></b>	<b><u>\$ 124,072</u></b>	<b><u>\$ 4,297,935</u></b>

CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2008**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenues:</b>			
Sales and service charges	\$ 2,434,034	\$ 3,095,789	\$ 5,529,823
Miscellaneous	131,730	550,536	682,266
<b>Total Operating Revenues</b>	<b><u>2,565,764</u></b>	<b><u>3,646,325</u></b>	<b><u>6,212,089</u></b>
<b>Operating Expenses:</b>			
Materials and supplies	823,113	-	823,113
Contractual services	24,065	4,508,721	4,532,786
Administration and general	462,547	277,504	740,051
Depreciation expense	306,890	-	306,890
<b>Total Operating Expenses</b>	<b><u>1,616,615</u></b>	<b><u>4,786,225</u></b>	<b><u>6,402,840</u></b>
Operating Income (Loss)	<u>949,149</u>	<u>(1,139,900)</u>	<u>(190,751)</u>
Income (Loss) Before Transfers	949,149	(1,139,900)	(190,751)
Contributions	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Changes in Net Assets	<u>1,009,149</u>	<u>(1,139,900)</u>	<u>(130,751)</u>
<b>Net Assets:</b>			
Beginning of Fiscal Year	<u>2,953,006</u>	<u>(3,760,216)</u>	<u>(807,210)</u>
<b>End of Fiscal Year</b>	<b><u>\$ 3,962,155</u></b>	<b><u>\$ (4,900,116)</u></b>	<b><u>\$ (937,961)</u></b>

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2008**

	<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	\$ 2,565,764	\$ 3,824,376	\$ 6,390,140
Cash paid to supplies for goods and services	(756,780)	(2,784,166)	(3,540,946)
Cash paid to employees for services	(477,107)	(275,732)	(752,839)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,331,877</b>	<b>764,478</b>	<b>2,096,355</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Repayment made to other funds	-	(688,109)	(688,109)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>-</b>	<b>(688,109)</b>	<b>(688,109)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(364,666)	-	(364,666)
Principal paid on capital debt	(109,890)	-	(109,890)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(474,556)</b>	<b>-</b>	<b>(474,556)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>857,321</b>	<b>76,369</b>	<b>933,690</b>
Cash and Cash Equivalents at Beginning of Year	1,772,943	-	1,772,943
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,630,264</b>	<b>\$ 76,369</b>	<b>\$ 2,706,633</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 949,149	\$ (1,139,900)	\$ (190,751)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	306,890	-	306,890
(Increase) decrease in accounts receivable	-	10,788	10,788
(Increase) decrease in deposits receivable	-	167,263	167,263
Increase (decrease) in accounts payable	90,398	(150,234)	(59,836)
Increase (decrease) in accrued liabilities	3,077	1,772	4,849
Increase (decrease) in claims and judgments	-	1,874,789	1,874,789
Increase (decrease) in compensated absences	(17,637)	-	(17,637)
<b>Total Adjustments</b>	<b>382,728</b>	<b>1,904,378</b>	<b>2,287,106</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,331,877</b>	<b>\$ 764,478</b>	<b>\$ 2,096,355</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Contribution of capital assets	\$ 60,000	\$ -	\$ 60,000

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
 ALL AGENCY FUNDS  
 JUNE 30, 2008

	<u>Community Facilities District</u>	<u>City Agency</u>	<u>Total</u>
<b>Assets:</b>			
Cash and investments	\$ 1,900,070	\$ 266,387	\$ 2,166,457
Receivables:			
Accounts	195,974	134,476	330,450
Taxes	1,683	-	1,683
Restricted assets:			
Cash and investments with fiscal agents	15,420,481	-	15,420,481
<b>Total Assets</b>	<b><u>\$ 17,518,208</u></b>	<b><u>\$ 400,863</u></b>	<b><u>\$ 17,919,071</u></b>
<b>Liabilities:</b>			
Accounts payable	\$ 41,239	\$ 26,875	\$ 68,114
Accrued liabilities	621,000	-	621,000
Deposits payable	-	373,988	373,988
Due to bondholders	16,855,969	-	16,855,969
<b>Total Liabilities</b>	<b><u>\$ 17,518,208</u></b>	<b><u>\$ 400,863</u></b>	<b><u>\$ 17,919,071</u></b>

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2008**

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<b><u>Community Facilities District</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,662,162	\$ 3,724,491	\$ 3,486,583	\$ 1,900,070
Receivables:				
Accounts	18,110	195,974	18,110	195,974
Taxes	-	1,683	-	1,683
Restricted assets:				
Cash and investments with fiscal agents	17,403,699	3,606,801	5,590,019	15,420,481
<b>Total Assets</b>	<b>\$ 19,083,971</b>	<b>\$ 7,528,949</b>	<b>\$ 9,094,712</b>	<b>\$ 17,518,208</b>
<b>Liabilities:</b>				
Accounts payable	\$ 47,547	\$ 111,760	\$ 118,068	\$ 41,239
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	18,415,424	4,493,049	6,052,504	16,855,969
<b>Total Liabilities</b>	<b>\$ 19,083,971</b>	<b>\$ 4,604,809</b>	<b>\$ 6,170,572</b>	<b>\$ 17,518,208</b>
<b><u>City Agency</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,097,221	\$ 4,839,542	\$ 5,670,376	\$ 266,387
Receivables:				
Accounts	-	134,476	-	134,476
<b>Total Assets</b>	<b>\$ 1,097,221</b>	<b>\$ 4,974,018</b>	<b>\$ 5,670,376</b>	<b>\$ 400,863</b>
<b>Liabilities:</b>				
Accounts payable	\$ 84,674	\$ 824,573	\$ 882,372	\$ 26,875
Deposits payable	1,012,547	4,992,228	5,630,787	373,988
<b>Total Liabilities</b>	<b>\$ 1,097,221</b>	<b>\$ 5,816,801</b>	<b>\$ 6,513,159</b>	<b>\$ 400,863</b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 2,759,383	\$ 8,564,033	\$ 9,156,959	\$ 2,166,457
Receivables:				
Accounts	18,110	330,450	18,110	330,450
Taxes	-	1,683	-	1,683
Restricted assets:				
Cash and investments with fiscal agents	17,403,699	3,606,801	5,590,019	15,420,481
<b>Total Assets</b>	<b>\$ 20,181,192</b>	<b>\$ 12,502,967</b>	<b>\$ 14,765,088</b>	<b>\$ 17,919,071</b>
<b>Liabilities:</b>				
Accounts payable	\$ 132,221	\$ 936,333	\$ 1,000,440	\$ 68,114
Accrued liabilities	621,000	-	-	621,000
Deposits payable	1,012,547	4,992,228	5,630,787	373,988
Due to bondholders	18,415,424	4,493,049	6,052,504	16,855,969
<b>Total Liabilities</b>	<b>\$ 20,181,192</b>	<b>\$ 10,421,610</b>	<b>\$ 12,683,731</b>	<b>\$ 17,919,071</b>