



**CITY OF HAWTHORNE, CALIFORNIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**Lance Soll & Lunghard, LLP**

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FINANCIAL STATEMENTS

JUNE 30, 2009

Prepared by the Department of Finance

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FINANCIAL STATEMENTS  
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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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund and the South Bay Workforce Investment Board Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2010, on our consideration of the City of Hawthorne's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

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



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

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

*Lance, Solt & Luyhard, LLP*

February 9, 2010

## **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, 2009. 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, 2009, the City's net assets (excess of assets over liabilities) were \$63.6 million. Of this amount, \$2.1 million is available to meet the City's ongoing operations.
- ♦ During the fiscal year ended June 30, 2009, the City's total net assets decreased by \$3.9 million of which a majority is represented in the governmental activities.
- ♦ At the end of the fiscal year ended June 30, 2009, unreserved fund balance for the General Fund was \$10.8 million, or 21.8 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 of the statements is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

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

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

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

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

**Notes to the Basic Financial Statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees, and a budgetary comparison schedule for the General Fund and The South Bay Workforce Investment Board Fund.

**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, 2009, net assets of the City were \$63.6 million, which is a decrease of \$3.9 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2009 and 2008.

**City of Hawthorne**  
**Net Assets (dollars in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 90,180	\$ 98,505	\$ 1,002	\$ 903	\$ 91,182	\$ 99,408
Capital assets	115,465	117,540	9,495	3,236	124,960	120,776
<b>Total Assets</b>	<b>205,645</b>	<b>216,045</b>	<b>10,497</b>	<b>4,139</b>	<b>216,142</b>	<b>220,184</b>
Long-term liabilities outstanding	143,958	144,261	103	100	144,061	144,361
Other liabilities	8,128	7,837	390	542	8,518	8,379
<b>Total Liabilities</b>	<b>152,086</b>	<b>152,098</b>	<b>493</b>	<b>642</b>	<b>152,579</b>	<b>152,740</b>
Net assets:						
Invested in Capital Assets						
Net of Related Debt	36,456	36,430	9,495	3,236	45,951	39,666
Restricted	15,517	14,073			15,517	14,073
Unrestricted	1,586	13,444	509	261	2,095	13,705
<b>Total Net Assets</b>	<b>\$ 53,559</b>	<b>\$ 63,947</b>	<b>\$ 10,004</b>	<b>\$ 3,497</b>	<b>\$ 63,563</b>	<b>\$ 67,444</b>

Approximately \$46 million (72%) of the City's 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 net assets totaling approximately \$15.5 million (24%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2.1 million (3%) 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, 2009 and 2008.

City of Hawthorne Changes in Net Assets (dollars in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 10,368	\$ 13,755	\$ 1,508	\$ 1,587	\$ 11,876	\$ 15,342
Operating contributions and grants	39,417	47,031			39,417	47,031
Capital contributions and grants	136	5,226	932	4,872	1,068	10,098
General revenues:						
Property taxes	25,721	21,641			25,721	21,641
Other taxes	25,994	26,435			25,994	26,435
Other	5,904	5,145	414	391	6,318	5,536
Total Revenues	<u>107,540</u>	<u>119,233</u>	<u>2,854</u>	<u>6,850</u>	<u>110,394</u>	<u>126,083</u>
Expenses:						
General government	18,363	14,077			18,363	14,077
Public safety	38,937	39,018			38,937	39,018
Community development	32,454	30,230			32,454	30,230
Parks and recreation	1,544	3,091			1,544	3,091
Public works	12,188	12,870			12,188	12,870
Interest on long-term debt	6,637	7,053			6,637	7,053
Airport			996	5,830	996	5,830
Sewer and storm drain			991	1,002	991	1,002
Total Expenses	<u>110,123</u>	<u>106,339</u>	<u>1,987</u>	<u>6,832</u>	<u>112,110</u>	<u>113,171</u>
Increase (decrease) in net assets						
before transfers	(2,583)	12,894	867	18	(1,716)	12,912
Transfers					0	0
Increase (decrease) in net assets	(2,583)	12,894	867	18	(1,716)	12,912
Net assets - 6/30/08, as restated	56,142	51,053	9,137	3,479	65,279	54,532
Net assets - 6/30/09	<u>\$ 53,559</u>	<u>\$ 63,947</u>	<u>\$ 10,004</u>	<u>\$ 3,497</u>	<u>\$ 63,563</u>	<u>\$ 67,444</u>

## **Governmental Activities**

The City's net assets from governmental activities totaled \$53.6 million. The cost of all governmental activities this year was \$110.1 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$60.2 million because some of the cost was paid by those who directly benefited from the programs (\$10.4 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$39.6 million). Overall, the City's governmental program revenues were \$49.9 million. The City paid for the remaining "public benefit" portion of governmental activities with \$57.6 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:*

- ◆ General Revenues increased \$4.4 million from the prior year mainly due to an increase in property taxes and other miscellaneous revenue.
- ◆ Charges for services decreased nearly \$3.4 million due to a decrease in the development impact fees that occurred in the prior year.
- ◆ Operating and Capital contributions and grants decreased \$12.7 million. This decrease is principally related to the completion of street improvement projects that were funded by state and federal grants in the prior year.

### *Expense highlights:*

- ◆ Expenses increased overall by \$3.8 million. Increases can be attributed to higher insurance benefit costs for personnel. Decreases are a result of cuts in overtime along with the completion of special projects funded through state and federal grants.

## **Business Type Activities**

The City's business-type activities increased net assets by \$6.5 million. Key elements of this increase are as follows:

### *Revenue Highlights:*

- ◆ Total program revenue in the business-type activities decreased by \$4 million primarily due to the completion of the Hawthorne Airport runway improvement project funded by grants received from the Federal Aviation Administration.

### *Expense Highlights:*

- ◆ Total expenses in the business-type activities decreased \$4.8 million as a result of the completion of the Airport 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 2008-09, the City's governmental funds reported combined ending fund balance deficit of \$24.8 million, an increase of \$3.3 million in comparison with the prior fiscal year. Of this amount, \$22.2 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 2008-09, unreserved fund balance of the General Fund was \$10.8 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, 2009, unreserved fund balance was 22.9 percent of total General Fund expenditures and transfers out, while total fund balance was 66 percent of total expenditures and transfers out.

The City's General Fund balance shows an increase of \$14,866 in Fiscal Year 2008-09 as compared to a decrease of \$576,021 in Fiscal Year 2007-08.

### ***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, 2009, net capital assets totaled \$115.5 million for governmental activities and \$9.5 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 2008-09 was \$4.2 million, or 3.3 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, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 25,464,700	\$ 1,267,361	\$ 26,732,061
Receivables:			
Accounts	5,770,063	167,218	5,937,281
Accrued interest	111,019	-	111,019
Taxes	1,955,618	-	1,955,618
Contracts and notes	7,562,644	-	7,562,644
Internal balances	432,872	(432,872)	-
Prepaid costs	845,868	-	845,868
Due from other governments	14,564,507	-	14,564,507
Inventories	57,082	-	57,082
Deferred charges	2,150,977	-	2,150,977
Net pension asset	25,127,759	-	25,127,759
Investment in joint venture	3,569,307	-	3,569,307
Restricted assets:			
Cash with fiscal agent	2,567,255	-	2,567,255
Capital assets not being depreciated	7,748,529	37,314	7,785,843
Capital assets, net of depreciation	107,716,800	9,458,028	117,174,828
<b>Total Assets</b>	<b>205,645,000</b>	<b>10,497,049</b>	<b>216,142,049</b>
<b>Liabilities:</b>			
Accounts payable	4,842,097	359,741	5,201,838
Accrued liabilities	1,031,482	20,301	1,051,783
Accrued interest	1,468,774	-	1,468,774
Unearned revenue	31,060	-	31,060
Deposits payable	64,912	9,733	74,645
Due to other governments	690,203	-	690,203
Noncurrent liabilities:			
Due within one year	6,332,877	13,982	6,346,859
Due in more than one year	137,624,696	89,234	137,713,930
<b>Total Liabilities</b>	<b>152,086,101</b>	<b>492,991</b>	<b>152,579,092</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	36,455,524	9,495,342	45,950,866
Restricted for:			
Community development projects	3,223,283	-	3,223,283
Public safety	1,352,447	-	1,352,447
Capital projects	5,069,136	-	5,069,136
Debt service	5,872,890	-	5,872,890
Unrestricted	1,585,619	508,716	2,094,335
<b>Total Net Assets</b>	<b>\$ 53,558,899</b>	<b>\$ 10,004,058</b>	<b>\$ 63,562,957</b>

CITY OF HAWTHORNE

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	<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	\$ 18,362,846	\$ 3,835,629	\$ 3,723,265	\$ -
Public safety	38,937,085	4,134,326	1,976,444	-
Community development	32,453,794	284,037	30,870,406	51,622
Parks and recreation	1,544,197	654,682	327,545	9,500
Public works	12,188,251	1,458,829	2,519,819	75,376
Interest on long-term debt	6,637,239	-	-	-
<b>Total Governmental Activities</b>	<b>110,123,412</b>	<b>10,367,503</b>	<b>39,417,479</b>	<b>136,498</b>
Business-Type Activities:				
Airport	995,652	352,623	-	931,695
Sewer and Storm Drain	991,326	1,155,677	-	-
<b>Total Business-Type Activities</b>	<b>1,986,978</b>	<b>1,508,300</b>	<b>-</b>	<b>931,695</b>
<b>Total Primary Government</b>	<b>\$ 112,110,390</b>	<b>\$ 11,875,803</b>	<b>\$ 39,417,479</b>	<b>\$ 1,068,193</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>
\$ (10,803,952)	\$ -	\$ (10,803,952)
(32,826,315)	-	(32,826,315)
(1,247,729)	-	(1,247,729)
(552,470)	-	(552,470)
(8,134,227)	-	(8,134,227)
(6,637,239)	-	(6,637,239)
<b>(60,201,932)</b>	<b>-</b>	<b>(60,201,932)</b>
-	288,666	288,666
-	164,351	164,351
<b>-</b>	<b>453,017</b>	<b>453,017</b>
<b>(60,201,932)</b>	<b>453,017</b>	<b>(59,748,915)</b>
25,721,569	-	25,721,569
1,937,184	-	1,937,184
10,295,502	-	10,295,502
2,048,950	-	2,048,950
4,372,513	-	4,372,513
7,081,679	-	7,081,679
257,931	-	257,931
305,881	-	305,881
1,383,145	413,976	1,797,121
4,214,096	-	4,214,096
<b>57,618,450</b>	<b>413,976</b>	<b>58,032,426</b>
(2,583,482)	866,993	(1,716,489)
63,947,448	3,497,701	67,445,149
(7,805,067)	5,639,364	(2,165,703)
<b>\$ 53,558,899</b>	<b>\$ 10,004,058</b>	<b>\$ 63,562,957</b>



CITY OF HAWTHORNE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

		<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>
	<b>General</b>	<b>South Bay Workforce Invest. Board</b>	<b>Community Redevelopment Agency</b>
<b>Assets:</b>			
Cash and investments	\$ 5,417,666	\$ -	\$ 6,457,464
Receivables:			
Accounts	4,905,218	-	-
Taxes	185,130	-	365,101
Notes and loans	-	-	297,002
Accrued interest	38,466	-	31,288
Prepaid costs	-	-	-
Due from other governments	-	13,242,621	-
Due from other funds	3,489,533	-	-
Advances to other funds	60,129,166	-	-
Inventories	42,771	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
<b>Total Assets</b>	<b><u>\$ 74,207,950</u></b>	<b><u>\$ 13,242,621</u></b>	<b><u>\$ 7,150,855</u></b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,256,161	\$ 1,533,362	\$ 1,198,314
Accrued liabilities	759,872	171,763	5,975
Deferred revenues	40,756,025	26,602,099	297,002
Unearned revenues	23,749	-	-
Deposits payable	25,000	-	22,015
Due to other governments	253	443,645	-
Due to other funds	-	58,139	-
Advances from other funds	-	-	60,129,166
<b>Total Liabilities</b>	<b><u>42,821,060</u></b>	<b><u>28,809,008</u></b>	<b><u>61,652,472</u></b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	333,976	5,684	-
Reserved for prepaid costs	-	-	-
Reserved for advances to other funds	20,124,856	-	-
Reserved for inventory	42,771	-	-
Reserved for capital projects	-	-	-
Reserved for compensated absences	-	752,203	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Designated for debt service	-	-	-
Undesignated	10,885,287	(16,324,274)	(54,501,617)
<b>Total Fund Balances</b>	<b><u>31,386,890</u></b>	<b><u>(15,566,387)</u></b>	<b><u>(54,501,617)</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 74,207,950</u></b>	<b><u>\$ 13,242,621</u></b>	<b><u>\$ 7,150,855</u></b>

CITY OF HAWTHORNE

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<b>Debt Service Fund</b>		
	<b>Community Redevelopment Agency</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and investments	\$ 2,658,727	\$ 8,806,691	\$ 23,340,548
Receivables:			
Accounts	780,000	25,615	5,710,833
Taxes	1,385,666	19,721	1,955,618
Notes and loans	-	6,955,642	7,252,644
Accrued interest	-	41,265	111,019
Prepaid costs	-	845,868	845,868
Due from other governments	-	1,321,886	14,564,507
Due from other funds	-	-	3,489,533
Advances to other funds	-	-	60,129,166
Inventories	-	-	42,771
Restricted assets:			
Cash and investments with fiscal agents	958,150	1,609,105	2,567,255
<b>Total Assets</b>	<b>\$ 5,782,543</b>	<b>\$ 19,625,793</b>	<b>\$ 120,009,762</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 589,858	\$ 4,577,695
Accrued liabilities	-	78,645	1,016,255
Deferred revenues	-	7,323,788	74,978,914
Unearned revenues	-	7,311	31,060
Deposits payable	-	17,897	64,912
Due to other governments	-	246,305	690,203
Due to other funds	-	3,278,385	3,336,524
Advances from other funds	-	-	60,129,166
<b>Total Liabilities</b>	<b>-</b>	<b>11,542,189</b>	<b>144,824,729</b>
<b>Fund Balances:</b>			
Reserved:			
Reserved for encumbrances	-	22,865	362,525
Reserved for prepaid costs	-	845,868	845,868
Reserved for advances to other funds	-	-	20,124,856
Reserved for inventory	-	-	42,771
Reserved for capital projects	-	120,000	120,000
Reserved for compensated absences	-	-	752,203
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	2,817,765	2,817,765
Capital projects funds	-	2,896,091	2,896,091
Debt service funds	-	1,381,015	1,381,015
Designated for debt service	5,782,543	-	5,782,543
Undesignated	-	-	(59,940,604)
<b>Total Fund Balances</b>	<b>5,782,543</b>	<b>8,083,604</b>	<b>(24,814,967)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,782,543</b>	<b>\$ 19,625,793</b>	<b>\$ 120,009,762</b>

CITY OF HAWTHORNE

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

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Fund balances of governmental funds	\$ (24,814,967)
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.	114,275,843
Investment in joint venture have not been included as financial resources in governmental fund activity.	3,569,307
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the Statement of Net Assets.	2,150,977
Net pension asset relates to the pension obligation bonds used to prepaid the PERS unfunded obligation. This prepayment was recorded as an expenditure in the governmental funds statements when made, but the prepayment is amortized over the PERS actuarial amortization period in the government-wide statements.	25,127,759
Long-term debt and compensated absences have not been included in the governmental fund activity:	
Long-term liabilities	(130,139,360)
Compensated Absences	(7,787,638)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,468,774)
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.	74,978,914
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>(2,333,162)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 53,558,899</u></b>

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CITY OF HAWTHORNE

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Special Revenue Fund South Bay Workforce Invest. Board</u>	<u>Capital Projects Fund Community Redevelopment Agency</u>
<b>Revenues:</b>			
Taxes	\$ 37,890,843	\$ -	\$ 2,573,087
Licenses and permits	1,263,571	-	-
Intergovernmental	2,071,772	14,807,089	-
Charges for services	4,602,403	-	-
Use of money and property	129,171	-	418,288
Fines and forfeitures	2,177,397	-	-
Contributions	2,440,124	-	-
Miscellaneous	895,038	-	495
<b>Total Revenues</b>	<b>51,470,319</b>	<b>14,807,089</b>	<b>2,991,870</b>
<b>Expenditures:</b>			
Current:			
General government	7,392,923	-	4,429,819
Public safety	35,504,471	-	-
Community development	1,423,805	15,738,666	-
Parks and recreation	1,867,503	-	-
Public works	3,272,533	-	-
Capital outlay	299,890	47,912	3,839,322
Debt service:			
Principal retirement	93,781	-	205,244
Interest and fiscal charges	12,360	-	1,346,561
<b>Total Expenditures</b>	<b>49,867,266</b>	<b>15,786,578</b>	<b>9,820,946</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,603,053	(979,489)	(6,829,076)
<b>Other Financing Sources (Uses):</b>			
Transfers in	600,000	-	3,000,000
Transfers out	(2,278,687)	-	-
Notes and loans issued	90,500	-	1,125,000
<b>Total Other Financing Sources (Uses)</b>	<b>(1,588,187)</b>	<b>-</b>	<b>4,125,000</b>
Net Change in Fund Balances	\$ 14,866	\$ (979,489)	\$ (2,704,076)
<b>Fund Balances:</b>			
Beginning of year, as originally reported	\$ 31,372,024	\$ (14,379,904)	\$ (51,797,541)
Restatements	-	(206,994)	-
Beginning of year, as restated	31,372,024	(14,586,898)	(51,797,541)
Net change in fund balances	14,866	(979,489)	(2,704,076)
<b>End of Year</b>	<b>\$ 31,386,890</b>	<b>\$ (15,566,387)</b>	<b>\$ (54,501,617)</b>

CITY OF HAWTHORNE

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	<b>Debt</b>		
	<b>Service Fund</b>		
	<b>Community Redevelopment Agency</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Taxes	\$ 11,025,664	\$ 539,493	\$ 52,029,087
Licenses and permits	-	217,303	1,480,874
Intergovernmental	-	19,313,258	36,192,119
Charges for services	-	948,852	5,551,255
Use of money and property	32,502	229,063	809,024
Fines and forfeitures	-	1,007,977	3,185,374
Contributions	-	200,000	2,640,124
Miscellaneous	780,000	3,153,329	4,828,862
<b>Total Revenues</b>	<b>11,838,166</b>	<b>25,609,275</b>	<b>106,716,719</b>
<b>Expenditures:</b>			
Current:			
General government	3,726,466	77,793	15,627,001
Public safety	-	1,295,875	36,800,346
Community development	-	15,339,743	32,502,214
Parks and recreation	-	-	1,867,503
Public works	-	6,746,888	10,019,421
Capital outlay	-	386,357	4,573,481
Debt service:			
Principal retirement	680,000	2,623,140	3,602,165
Interest and fiscal charges	2,245,826	3,011,170	6,615,917
<b>Total Expenditures</b>	<b>6,652,292</b>	<b>29,480,966</b>	<b>111,608,048</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,185,874	(3,871,691)	(4,891,329)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	3,278,687	6,878,687
Transfers out	(3,000,000)	(1,000,000)	(6,278,687)
Notes and loans issued	-	-	1,215,500
<b>Total Other Financing Sources (Uses)</b>	<b>(3,000,000)</b>	<b>2,278,687</b>	<b>1,815,500</b>
Net Change in Fund Balances	\$ 2,185,874	\$ (1,593,004)	\$ (3,075,829)
<b>Fund Balances:</b>			
Beginning of year, as originally reported	\$ 3,596,669	\$ 9,676,608	\$ (21,532,144)
Restatements	-	-	(206,994)
Beginning of year, as restated	3,596,669	9,676,608	(21,739,138)
Net change in fund balances	2,185,874	(1,593,004)	(3,075,829)
<b>End of Year</b>	<b>\$ 5,782,543</b>	<b>\$ 8,083,604</b>	<b>\$ (24,814,967)</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, 2009**

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Net change in fund balances - total governmental funds \$ (3,075,829)

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. 223,687

Net pension asset amortization relates to the pension obligation bonds used to prepaid the PERS unfunded obligation. This prepayment was recorded as an expenditure in the governmental funds statements when made, but the prepayment is amortized over the PERS actuarial amortization period in the government-wide statements. (277,900)

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. 789,264

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 49,618

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. 535,480

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. 823,211

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. (1,651,013)

**Change in net assets of governmental activities** \$ (2,583,482)

CITY OF HAWTHORNE

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 31,372,024	\$ 31,372,024	\$ 31,372,024	\$ -
<b>Resources (Inflows):</b>				
Taxes	38,360,500	38,375,563	37,890,843	(484,720)
Licenses and permits	1,499,200	1,192,302	1,263,571	71,269
Intergovernmental	1,721,835	1,458,988	2,071,772	612,784
Charges for services	4,914,550	4,687,250	4,602,403	(84,847)
Use of money and property	200,000	140,000	129,171	(10,829)
Fines and forfeitures	2,400,000	2,050,000	2,177,397	127,397
Contributions	2,330,626	2,480,626	2,440,124	(40,502)
Miscellaneous	600,000	898,854	895,038	(3,816)
Transfers in	600,000	600,000	600,000	-
Notes and loans issued	-	100,000	90,500	(9,500)
<b>Amounts Available for Appropriation</b>	<b>83,998,735</b>	<b>83,355,607</b>	<b>83,532,843</b>	<b>177,236</b>
<b>Charges to Appropriation (Outflow):</b>				
General government				
Mayor and City Council	2,373,437	2,436,312	2,537,723	(101,411)
City Clerk	203,673	188,773	202,452	(13,679)
City Manager	589,369	570,019	556,975	13,044
City Treasurer	11,043	11,243	11,161	82
City Attorney	808,400	747,880	724,349	23,531
Finance	1,456,011	1,395,211	1,327,400	67,811
Licensing and Code Enforcement	2,047,955	1,999,405	2,032,863	(33,458)
Public safety				
Police	28,033,333	27,584,118	27,547,383	36,735
Fire Services Contract	8,085,000	7,965,000	7,957,088	7,912
Community development				
Planning	467,260	567,360	475,244	92,116
Building and Safety	954,495	957,470	948,561	8,909
Parks and recreation	1,906,094	1,906,654	1,867,503	39,151
Public works	3,527,741	3,469,706	3,272,533	197,173
Capital outlay	174,412	391,402	299,890	91,512
Debt service:				
Principal retirement	90,387	90,387	93,781	(3,394)
Interest and fiscal charges	11,963	11,963	12,360	(397)
Transfers out	2,273,000	2,273,000	2,278,687	(5,687)
<b>Total Charges to Appropriation</b>	<b>53,013,573</b>	<b>52,565,903</b>	<b>52,145,953</b>	<b>419,950</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 30,985,162</b>	<b>\$ 30,789,704</b>	<b>\$ 31,386,890</b>	<b>\$ 597,186</b>



CITY OF HAWTHORNE

**BUDGETARY COMPARISON STATEMENT  
SOUTH BAY WORKFORCE INVESTMENT BOARD  
YEAR ENDED JUNE 30, 2009**

	<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	\$ (14,586,898)	\$ (14,586,898)	\$ (14,586,898)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	25,958,628	31,909,831	14,807,089	(17,102,742)
<b>Amounts Available for Appropriation</b>	<b>11,371,730</b>	<b>17,322,933</b>	<b>220,191</b>	<b>(17,102,742)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	25,860,951	31,800,154	15,738,666	16,061,488
Capital outlay	105,000	117,000	47,912	69,088
<b>Total Charges to Appropriation</b>	<b>25,965,951</b>	<b>31,917,154</b>	<b>15,786,578</b>	<b>16,130,576</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (14,594,221)</b>	<b>\$ (14,594,221)</b>	<b>\$ (15,566,387)</b>	<b>\$ (972,166)</b>

CITY OF HAWTHORNE

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2009

	Airport	Nonmajor Enterprise Funds Sewer and Storm Drain	Total	Governmental Activities Internal Service Funds
<b>Assets:</b>				
Current:				
Cash and investments	\$ -	\$ 1,267,361	\$ 1,267,361	\$ 2,124,152
Receivables:				
Accounts	71,695	95,523	167,218	59,230
Notes and loans	-	-	-	310,000
Inventories	-	-	-	14,311
<b>Total Current Assets</b>	<b>71,695</b>	<b>1,362,884</b>	<b>1,434,579</b>	<b>2,507,693</b>
Noncurrent:				
Capital assets - net of accumulated depreciation	9,169,950	325,392	9,495,342	1,189,486
<b>Total Noncurrent Assets</b>	<b>9,169,950</b>	<b>325,392</b>	<b>9,495,342</b>	<b>1,189,486</b>
<b>Total Assets</b>	<b>\$ 9,241,645</b>	<b>\$ 1,688,276</b>	<b>\$ 10,929,921</b>	<b>\$ 3,697,179</b>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
Current:				
Accounts payable	\$ 343,291	\$ 16,450	\$ 359,741	\$ 264,402
Accrued liabilities	9,200	11,101	20,301	15,227
Deposits payable	9,733	-	9,733	-
Due to other funds	153,009	-	153,009	-
Compensated absences	13,982	-	13,982	1,178
Claims and judgments	-	-	-	1,322,319
<b>Total Current Liabilities</b>	<b>529,215</b>	<b>27,551</b>	<b>556,766</b>	<b>1,603,126</b>
Noncurrent:				
Compensated absences	89,234	-	89,234	3,534
Claims and judgments	-	-	-	4,703,544
<b>Total Noncurrent Liabilities</b>	<b>89,234</b>	<b>-</b>	<b>89,234</b>	<b>4,707,078</b>
<b>Total Liabilities</b>	<b>618,449</b>	<b>27,551</b>	<b>646,000</b>	<b>6,310,204</b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	9,169,950	325,392	9,495,342	1,189,486
Unrestricted	(546,754)	1,335,333	788,579	(3,802,511)
<b>Total Net Assets</b>	<b>8,623,196</b>	<b>1,660,725</b>	<b>10,283,921</b>	<b>(2,613,025)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,241,645</b>	<b>\$ 1,688,276</b>	<b>\$ 10,929,921</b>	<b>\$ 3,697,179</b>
<b>Reconciliation of Net Assets to the Statement of Net Assets</b>				
Net Assets per Statement of Net Assets - Proprietary Funds			\$ 10,283,921	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds			(255,812)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds			(24,051)	
<b>Net Assets per Statement of Net Assets</b>			<b>\$ 10,004,058</b>	

## CITY OF HAWTHORNE

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009**

	<u>Airport</u>	<u>Nonmajor Enterprise Funds Sewer and Storm Drain</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Operating Revenues:</b>				
Sales and service charges	\$ 202,557	\$ 1,147,837	\$ 1,350,394	\$ 4,991,844
Miscellaneous	150,066	7,840	157,906	206,328
<b>Total Operating Revenues</b>	<b>352,623</b>	<b>1,155,677</b>	<b>1,508,300</b>	<b>5,198,172</b>
<b>Operating Expenses:</b>				
Administration and general	544,533	471,042	1,015,575	777,757
Materials and supplies	58,642	87,151	145,793	905,879
Contractual services	-	-	-	3,993,476
Cost of sales and services	50,779	392,708	443,487	-
Depreciation expense	326,804	31,268	358,072	596,124
<b>Total Operating Expenses</b>	<b>980,758</b>	<b>982,169</b>	<b>1,962,927</b>	<b>6,273,236</b>
Operating Income (Loss)	(628,135)	173,508	(454,627)	(1,075,064)
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental	931,695	-	931,695	-
Interest revenue	413,976	-	413,976	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,345,671</b>	<b>-</b>	<b>1,345,671</b>	<b>-</b>
Income (Loss) Before Transfers	717,536	173,508	891,044	(1,075,064)
Transfers out	-	-	-	(600,000)
Changes in Net Assets	<u>\$ 717,536</u>	<u>\$ 173,508</u>	<u>\$ 891,044</u>	<u>\$ (1,675,064)</u>
<b>Net Assets:</b>				
Beginning of Fiscal Year, as originally reported	\$ 2,266,296	\$ 1,487,217	\$ 3,753,513	\$ (937,961)
Restatements	5,639,364	-	5,639,364	-
Beginning of Fiscal Year, as restated	7,905,660	1,487,217	9,392,877	(937,961)
Changes in Net Assets	717,536	173,508	891,044	(1,675,064)
<b>End of Fiscal Year</b>	<b><u>\$ 8,623,196</u></b>	<b><u>\$ 1,660,725</u></b>	<b><u>\$ 10,283,921</u></b>	<b><u>\$ (2,613,025)</u></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			\$ 891,044	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds			(24,051)	
<b>Changes in Net Assets of Business-Type Activities per Statement of Activities</b>			<u>\$ 866,993</u>	

## CITY OF HAWTHORNE

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2009**

	<u>Airport</u>	<u>Nonmajor Enterprise Funds Sewer and Storm Drain</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 421,408	\$ 1,163,773	\$ 1,585,181	\$ 5,186,645
Cash paid to supplies for goods and services	(234,052)	(510,723)	(744,775)	(3,817,260)
Cash paid to employees for services	(540,062)	(470,986)	(1,011,048)	(785,544)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(352,706)</b>	<b>182,064</b>	<b>(170,642)</b>	<b>583,841</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out	-	-	-	(600,000)
Payment made to other funds	(15,236)	-	(15,236)	-
Grant subsidy	931,695	-	931,695	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>916,459</b>	<b>-</b>	<b>916,459</b>	<b>(600,000)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(977,729)	-	(977,729)	(566,322)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(977,729)</b>	<b>-</b>	<b>(977,729)</b>	<b>(566,322)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	413,976	-	413,976	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>413,976</b>	<b>-</b>	<b>413,976</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>-</b>	<b>182,064</b>	<b>182,064</b>	<b>(582,481)</b>
Cash and Cash Equivalents at Beginning of Year	-	1,085,297	1,085,297	2,706,633
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ -</b>	<b>\$ 1,267,361</b>	<b>\$ 1,267,361</b>	<b>\$ 2,124,152</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (628,135)	\$ 173,508	\$ (454,627)	\$ (1,075,064)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation	326,804	31,268	358,072	596,124
(Increase) decrease in accounts receivable	66,435	8,096	74,531	(11,527)
Increase (decrease) in accounts payable	(124,631)	(30,864)	(155,495)	(33,314)
Increase (decrease) in accrued liabilities	912	56	968	(1,260)
Increase (decrease) in deposits payable	2,350	-	2,350	-
Increase (decrease) in claims and judgments	-	-	-	1,115,409
Increase (decrease) in compensated absences	3,559	-	3,559	(6,527)
<b>Total Adjustments</b>	<b>275,429</b>	<b>8,556</b>	<b>283,985</b>	<b>1,658,905</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (352,706)</b>	<b>\$ 182,064</b>	<b>\$ (170,642)</b>	<b>\$ 583,841</b>

**Non-Cash Investing, Capital, and Financing Activities:**  
 There were no noncash transactions during the year.

CITY OF HAWTHORNE

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments	\$ 3,085,338
Receivables:	
Taxes	10,813
Restricted assets:	
Cash and investments with fiscal agents	<u>7,266,081</u>
<b>Total Assets</b>	<b><u>\$ 10,362,232</u></b>
<b>Liabilities:</b>	
Accounts payable	\$ 16,269
Accrued liabilities	621,000
Deposits payable	363,868
Due to bondholders	<u>9,361,095</u>
<b>Total Liabilities</b>	<b><u>\$ 10,362,232</u></b>

**CITY OF HAWTHORNE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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 basic 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 Community 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 Community Redevelopment Agency.

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

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

The City provides all administrative services to the Agency. The financial activity of the Agency is reported in the City's financial statements as the Community Redevelopment Capital Projects Fund and the Community 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 Community 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 government-wide financial 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, with the exception of gas tax revenue, which are considered available if collected within 120 days of year end. 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 have been met.

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



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

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

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The South Bay Workforce Investment Board Fund is a Job Training Partnership Act fund that accounts for federal, state and local grants received to assist the participants in job training and development.
- The Community Redevelopment Agency Capital Projects Fund accounts for revenues and expenditures associated with the acquisition or construction of capital items for the Hawthorne Redevelopment Agency.
- The Community Redevelopment Agency Debt Service Fund accounts for the accumulation of resources for payment of tax increment bonds and other redevelopment debt.

The City reports the following major proprietary fund:

- The Airport Fund accounts for the operation of the City's airport, which is operated in a manner similar to a private airport.

Additionally, the City reports the following fund types:

- 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.
- Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds account for assets held for specific uses that are not part of the City's operating activities; specifically, monies held by the City as an agent for property owners with special assessments and monies collected from individuals, private organization or other government who have made special deposits with the City for various purposes.

**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, 2009. 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 its component units, are depreciated using the straight-line method over the following estimated useful lives:

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

**Claims and Judgments**

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

**Employee Compensated Absences**

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

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

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

**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 (\$130,139,360) long-term debt difference is as follows:

Long-term debt:	
Tax allocation bonds payable	\$ (44,205,000)
Notes payable	(22,341,438)
COP bonds payable	(7,095,000)
Pension obligation bonds	(26,695,000)
SBRPCA 2007 bonds	(3,735,000)
Section 108 loan payables	(6,150,000)
Loan payable - West Basin	(86,136)
Lease payable	(17,719,764)
Capital leases	(18,905)
Other post-employment benefits obligation	(1,526,461)
Unamortized bond discount	91,959
Unamortized bond premium	(799,116)
Unamortized loss on bond defeasance	<u>140,501</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ (130,139,360)</u>

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

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

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 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 \$223,687 difference are as follows:

Capital outlay	\$ 5,099,104
Depreciation expense	<u>(4,875,417)</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><u>\$ 223,687</u></u>

Another element of that reconciliation states that the "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." 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 \$789,264 difference is as follows:

Long-term Debt issued or incurred:	
Note payable - AutoNation / CostCo	\$ (1,125,000)
Loan payable - West Basin	(90,500)
Other post-employment benefits obligation	(1,526,461)
Principal repayments:	
Tax allocation bonds	680,000
Notes payable	205,244
COP bonds payable	345,000
Pension obligation bonds	1,205,000
SBRPCA 2001 bond	105,000
Section 108 loans payable	475,000
Loan payable - West Basin	4,364
Lease payable	493,140
Capital leases payable	89,417
Bond discount amortization	(3,735)
Defeasance loss amortization	(9,367)
Bond premium amortization	29,596
Debt issuance costs amortization	<u>(87,434)</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><u>\$ 789,264</u></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.

d. Deficit in Fund Equity

The following funds have deficits in fund balance or retained earnings at June 30, 2009:

Fund	Amount
Major Governmental Funds:	
South Bay Workforce Investment Board	\$ (15,566,387)
Community Redevelopment Agency - Capital Projects	(54,501,617)
Nonmajor Governmental Funds:	
Special Revenue Funds	
Street Lighting	(184,109)
Street	(2,389,729)
COPS	(1,312)
California Office of Traffic Safety	(11,923)
Proposition A	(57,642)
Community Development Block Grant	(30,045)
Home Grant	(208,870)
California Used Oil Recycling	(40,663)
ABC Grant Assistance Program	(17,984)
Debt Service Fund	
2005 PERS Obligation Bonds	(178,106)
Internal Service Funds:	
Insurance Reserve	(6,121,801)

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

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

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

**e. Excess of expenditures over appropriations**

Excess of expenditures over appropriations at the department level are as follows:

Fund	Expenditures	Appropriations	Excess
Major Governmental Funds:			
General Fund:			
Mayor and City Council	\$ 2,537,723	\$ 2,436,312	\$ 101,411
City Clerk	202,452	188,773	13,679
Licensing and code enforcement	2,032,863	1,999,405	33,458
Community Redevelopment Agency			
Capital Projects:			
General government	4,429,819	2,968,315	1,461,504
Debt service - principal retirement	205,244	149,687	55,557
Community Redevelopment Agency			
Debt Service:			
General government	3,726,466	3,408,944	317,522
Nonmajor Governmental Funds:			
Special Revenue Funds:			
Street Lighting:			
Public works	730,166	627,950	102,216
Asset Forfeiture:			
Public safety	620,764	575,198	45,566
Capital outlay	147,284	112,957	34,327
Proposition A:			
Public works	1,604,094	1,569,954	34,140
Proposition C:			
Public works	1,437,201	1,424,605	12,596
Community Development Block Grant:			
Community development	1,908,828	1,741,940	166,888
Debt Service Funds:			
SBRPCA 2007 Series B Bond			
General government	4,746	4,200	546

III. DETAILED NOTES ON ALL FUNDS

**Note 3: Cash and Investments**

As of June 30, 2009, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 28,031,955
Business-type activities	1,267,361
Fiduciary funds	<u>10,351,419</u>
Total Cash and Investments	<u>\$ 39,650,735</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, 2009, the carrying amount of the City's deposits was \$373,907 and the bank balance was \$1,176,336. The \$802,429 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 \$250,000 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, 2009, the City's investment in commercial paper consisted of investments with General Electric Corporation rated "AA+" 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, 2009, 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, 2009, 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, 2009, the City has invested \$2,728,760 (7%) in Investment Agreements. 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, 2009, 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	\$ 29,443,492	\$ -	\$ 29,443,492
Cash with Fiscal Agents:			
Money market	6,483,574	-	6,483,574
Investment agreements	-	2,728,761	2,728,761
Commercial papers	621,000	-	621,000
	<u>\$ 36,548,066</u>	<u>\$ 2,728,761</u>	<u>\$ 39,276,827</u>

The investment agreements and commercial papers 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, 2009, follows:

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>						
Capital assets, not being depreciated:						
Land	\$ 7,748,529	\$ -	\$ 7,748,529	\$ -	\$ -	\$ 7,748,529
Total Capital Assets, Not Being Depreciated	7,748,529	-	7,748,529	-	-	7,748,529
Capital assets, being depreciated:						
Structures and improvements	47,745,759	1,300,000	49,045,759	3,947,915	-	52,993,674
Machinery and equipment:						
City	16,799,838	-	16,799,838	93,737	-	16,893,575
Equipment Replacement	5,535,834	-	5,535,834	566,322	399,397	5,702,759
Parking Authority - structures	16,359,554	-	16,359,554	-	-	16,359,554
Infrastructure	98,924,977	-	98,924,977	1,117,845	-	100,042,822
Total Capital Assets, Being Depreciated	185,365,962	1,300,000	186,665,962	5,725,819	399,397	191,992,384
Less accumulated depreciation:						
Structures and improvements	12,956,807	-	12,956,807	1,645,562	-	14,602,369
Machinery and equipment:						
City	16,107,255	-	16,107,255	646,069	-	16,753,324
Equipment Replacement	4,316,546	-	4,316,546	596,124	399,397	4,513,273
Parking authority - structures	12,494,063	-	12,494,063	408,988	-	12,903,051
Infrastructure	33,328,769	-	33,328,769	2,174,798	-	35,503,567
Total Accumulated Depreciation	79,203,440	-	79,203,440	5,471,541	399,397	84,275,584
Total Capital Assets, Being Depreciated, Net	106,162,522	1,300,000	107,462,522	254,278	-	107,716,800
Governmental Activities Capital Assets, Net	\$ 113,911,051	\$ 1,300,000	\$ 115,211,051	\$ 254,278	\$ -	\$ 115,465,329

\*Adjustments were made to properly record property acquired in prior years.

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

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

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>						
Capital assets, not being depreciated:						
Land	\$ 37,314	\$ -	\$ 37,314	\$ -	\$ -	\$ 37,314
Total Capital Assets, Not Being Depreciated	37,314	-	37,314	-	-	37,314
Capital assets, being depreciated:						
Structures and improvements	1,681,828	-	1,681,828	46,075	-	1,727,903
Machinery and equipment	22,750	-	22,750	-	-	22,750
Infrastructure						-
Airport	4,152,004	5,639,364	9,791,368	931,654	-	10,723,022
Sewer and Storm Drain	10,538,445	-	10,538,445	-	-	10,538,445
Total Capital Assets, Being Depreciated	16,395,027	5,639,364	22,034,391	977,729	-	23,012,120
Less accumulated depreciation:						
Structures and improvements	1,238,254	-	1,238,254	58,132	-	1,296,386
Machinery and equipment	20,364	-	20,364	597	-	20,961
Infrastructure						-
Airport	1,755,617	-	1,755,617	268,075	-	2,023,692
Sewer and Storm Drain	10,181,785	-	10,181,785	31,268	-	10,213,053
Total Accumulated Depreciation	13,196,020	-	13,196,020	358,072	-	13,554,092
Total Capital Assets, Being Depreciated, Net	3,199,007	5,639,364	8,838,371	619,657	-	9,458,028
Business-Type Activities Capital Assets, Net	\$ 3,236,321	\$ 5,639,364	\$ 8,875,685	\$ 619,657	\$ -	\$ 9,495,342

\*Adjustments were made to record prior years' additions.

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

Governmental Activities:	
General government	\$ 869,091
Public safety	1,546,340
Public work	2,108,608
Community development	92,654
Parks and recreation	258,724
Internal service fund - equipment replacement	596,124
Total Governmental Activities	\$ 5,471,541
Business-Type Activities:	
Airport	\$ 326,804
Sewer and storm drain	31,268
Total Business-Type Activities	\$ 358,072

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

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

The composition of interfund balances as of June 30, 2009, is as follows:

**Due To/From Other Funds**

	Due to Other Funds			
	South Bay Workforce Invest. Board	Non-major Governmental Funds	Airport Fund	Total
<u>Due From Other Funds</u>				
General Fund	\$ 58,139	\$ 3,278,385	\$ 153,009	\$ 3,489,533

The due from other funds in the General Fund of \$3,489,533 from the non-major governmental funds and the Airport Fund was to cover temporary deficit cash balances.

**Advances to/from Other Funds**

Advances from Other Funds	Advances to Other Funds
Capital Projects - Community Redevelopment Agency	General Fund
	\$ 60,129,166

During the current and previous fiscal years, the City of Hawthorne has made loans to the Community 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, 2009, loans with accrued unpaid interest amounted to \$60,129,166.

**Interfund Transfers**

Transfers In	Transfers Out				Total
	General Fund	Debt Service Community Redevelopment Agency	Other Governmental Funds	Internal Service Funds	
General	\$ -	\$ -	\$ -	\$ 600,000	\$ 600,000
Capital Projects - Community Redevelopment Agency	-	3,000,000	-	-	3,000,000
Other Governmental Funds	2,278,687	-	1,000,000	-	3,278,687
Total	\$ 2,278,687	\$ 3,000,000	\$ 1,000,000	\$ 600,000	\$ 6,878,687

The transfer from the general fund to non-major funds of \$2,278,687 was for debt service contribution on the 1997 COP bonds in the amount of \$723,687, 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 \$275,000.

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

The transfer within other governmental funds of \$1,000,000 was from the Development Impact Fund to the Street Fund for repairs.

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

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

The transfer from the Internal Service Fund to the General Fund of \$600,000 was for operational needs.

**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, 2009:

	Beginning Balance at July 1, 2008	Additions	Deletions	Ending Balance at June 30, 2009	Due Within One Year
<b>Governmental Funds:</b>					
City:					
Compensated absences	\$ 8,323,118	\$ 1,162,460	\$ 1,697,940	\$ 7,787,638	\$ 1,588,701
Other post employment benefits obligation	-	1,526,461	-	1,526,461	-
Capital leases payable	108,322	-	89,417	18,905	18,905
Certificates of participation	7,440,000	-	345,000	7,095,000	360,000
Lease payable - police facility	18,212,904	-	493,140	17,719,764	513,210
Loan payable - West Basin	-	90,500	4,364	86,136	5,195
Section 108 loan payable	6,625,000	-	475,000	6,150,000	475,000
SBRPCA 2007 Series B Bond	3,840,000	-	105,000	3,735,000	105,000
2005 Pension Obligation Bonds	27,900,000	-	1,205,000	26,695,000	1,365,000
Total City	<u>72,449,344</u>	<u>2,779,421</u>	<u>4,414,861</u>	<u>70,813,904</u>	<u>4,431,011</u>
Internal Service Funds:					
Claims and judgments	4,910,454	2,192,962	1,077,553	6,025,863	1,190,688
Compensated absences	11,239	52,550	59,077	4,712	1,178
Total Internal Service Funds	<u>4,921,693</u>	<u>2,245,512</u>	<u>1,136,630</u>	<u>6,030,575</u>	<u>1,191,866</u>
Redevelopment Agency:					
Tax allocation refunding bonds	44,885,000	-	680,000	44,205,000	710,000
Notes payable	21,421,682	1,125,000	205,244	22,341,438	-
Total Redevelopment	<u>66,306,682</u>	<u>1,125,000</u>	<u>885,244</u>	<u>66,546,438</u>	<u>710,000</u>
Total Governmental Long-Term Obligations	<u>\$ 143,677,719</u>	<u>\$ 6,149,933</u>	<u>\$ 6,436,735</u>	143,390,917	<u>\$ 6,332,877</u>
Less:					
Net unamortized bond discount				(91,959)	
Net unamortized bond premium				799,116	
Net unamortized bond defeasance loss				<u>(140,501)</u>	
Total governmental funds long-term debt				<u>\$ 143,957,573</u>	
<b>Business-Type Funds:</b>					
Compensated absences	<u>\$ 99,657</u>	<u>\$ 17,059</u>	<u>\$ 13,500</u>	<u>\$ 103,216</u>	<u>\$ 13,982</u>

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

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

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. For governmental activities, the liability will be paid in future year by the General Fund, and for business type activities, the liability will be paid by the Airport Fund.

Other Post Employment Benefits Obligation

The City's policies relating to other post employment benefits are described in Note 9 of the Notes to Financial Statements. The liability will be paid in future years by the general fund.

Capital Leases

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, 2009:

Year Ending June 30,	Total
2010	\$ 19,025
Total Payments	19,025
Less Amount Representing Interest	(120)
Outstanding Principle	<u>\$ 18,905</u>

Certificates of Participation

On December 1, 1997, The Public Financing Authority issued Certificates of Participation (COP) 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, 2009. The annual principal requirements to amortize the outstanding Public Financing Authority COP as of June 30, 2009, are as follows:

	Certificates of Participation	
	Principal	Interest
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 - 2014	440,000	275,795
2014 - 2019	2,550,000	1,006,737
2019 - 2024	2,555,000	274,430
Totals	<u>\$ 7,095,000</u>	<u>\$ 2,863,719</u>

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

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

Lease Payable - Police Facility

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

	Police Facility Lease	
	Principal	Interest
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 - 2014	602,002	620,152
2014 - 2019	3,398,093	2,704,780
2019 - 2024	4,148,231	1,939,376
2024 - 2029	5,063,966	1,005,006
2029 - 2034	2,325,870	95,607
Totals	<u>\$ 17,719,764</u>	<u>\$ 9,076,543</u>

Loan Payable – West Basin

On November 26, 2008, the City of Hawthorne entered into a loan agreement with West Basin Municipal Water District. The loan is to provide the City assistance for the cost of retrofit improvements for the irrigation system at the Jim Thorpe Park. The loan amount was \$100,000 in which the Metropolitan Water District contributed \$9,500 on behalf of the City. The loan is subject to an interest rate of 5% per annum and is to be repaid within 13 years. Principal payments are due semi-annually on June 1 and December 1. The outstanding loan balance at June 30, 2009 was \$86,136. The total debt service payment requirements as of June 30, 2009, are as follows:

	Note Payable - West Basin	
	Principal	Interest
2009 - 2010	\$ 5,195	\$ 4,287
2010 - 2011	5,460	4,020
2011 - 2012	5,739	3,742
2012 - 2013	6,033	3,449
2013 - 2014	6,342	3,141
2014 - 2019	36,921	10,487
2019 - 2024	20,446	1,464
Totals	<u>\$ 86,136</u>	<u>\$ 30,590</u>



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

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

Section 108 Loan

Section 108 Loan of \$7,800,000 was advanced to the City for commercial rehabilitation on CDBG projects. The notes are guaranteed by the Secretary of Housing and Urban Development. Principal payments ranging from \$50,000 to \$485,000 are due semi-annually on February 1 and August 1. The notes mature from 2012 to 2024 and bear varying interest rates. The total debt service payment requirements as of June 30, 2009, are as follows:

	Section 108 Loan	
	Principal	Interest
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 - 2014	355,000	230,187
2014 - 2019	1,775,000	867,858
2019 - 2024	1,775,000	362,853
2024 - 2029	335,000	10,067
Totals	<u>\$ 6,150,000</u>	<u>\$ 2,611,910</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
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 - 2014	125,000	148,483
2014 - 2019	700,000	661,406
2019 - 2024	870,000	496,995
2024 - 2029	1,080,000	278,385
2029 - 2034	510,000	36,575
Totals	<u>\$ 3,735,000</u>	<u>\$ 2,261,238</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 pension 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, 2009, are as follows:

	2005 Pension Obligation Bonds	
	Principal	Interest
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 - 2014	2,125,000	1,011,378
2014 - 2019	14,315,000	3,220,051
2019 - 2024	3,715,000	186,419
Totals	<u>\$ 26,695,000</u>	<u>\$ 9,330,219</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, 2009, amounted to \$7,620,000. The total debt service payment requirements as of June 30, 2009, are as follows:

	1998 Tax Allocation Refunding Bonds	
	Principal	Interest
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 - 2014	390,000	302,500
2014 - 2019	2,265,000	1,191,375
2019 - 2024	2,915,000	547,875
2024 - 2029	675,000	16,875
Totals	<u>\$ 7,620,000</u>	<u>\$ 3,449,250</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, 2009, amounted to \$3,530,000. The total debt service payment requirements as of June 30, 2009, are as follows:

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

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

	2001 Tax Allocation Refunding Bonds	
	Principal	Interest
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 - 2014	260,000	171,406
2014 - 2019	1,580,000	559,281
2019 - 2024	795,000	55,516
Totals	<u>\$ 3,530,000</u>	<u>\$ 1,620,423</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, 2009, amounted to \$3,970,000. The total debt service payment requirements as of June 30, 2009, are as follows:

	2004 Tax Allocation Refunding Bonds	
	Principal	Interest
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 - 2014	215,000	129,196
2014 - 2019	1,195,000	515,716
2019 - 2024	1,435,000	240,465
2024 - 2029	330,000	7,425
Totals	<u>\$ 3,970,000</u>	<u>\$ 1,480,223</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.

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

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

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, 2009, amounted to \$29,085,000. The total debt service payment requirements as of June 30, 2009, are as follows:

	2006 Tax Allocation Bonds	
	Principal	Interest
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 - 2014	645,000	1,393,281
2014 - 2019	3,635,000	6,532,866
2019 - 2024	4,595,000	5,541,250
2024 - 2029	5,870,000	4,233,644
2029 - 2034	7,565,000	2,493,094
2034 - 2039	5,560,000	447,825
Totals	<u>\$ 29,085,000</u>	<u>\$ 26,412,984</u>

**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 \$77,167,881 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 \$9,539,635 and the debt service obligation on the bonds was \$2,925,823.

**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, 2009. As of June 30, 2009, the loan balance was paid off in full.

**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, 2009, amounted to \$22,341,438 including accrued interest of \$9,841,438.

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

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

Claims and Judgments

As of June 30, 2009, 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, 2009, total estimated claims payable were \$5,426,013.

Non-City Obligation Debt - Special Assessment Bonds

Assessment District Bonds

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

On October 22, 1991, the 1990-1 Special Tax Bonds totaling \$8,955,000 were issued and on November 12, 1991, the 1991-1 Special Tax Bonds totaling \$11,865,000 were issued. The 1990-1 Special Tax Bonds were refunded on March 18, 1999, by the issuance of the 1998 Special Tax Refunding Bonds for \$8,990,000. On August 16, 2000, the Agency issued two series of 1999-1 Special Tax Bonds, \$3,525,000 Series A and \$12,475,000 Series B. The total of these bonds were used to refund the 1991-1 Special Tax Bonds. As of June 30, 2009, the bonds outstanding from these Community Facility Districts totaled \$19,140,000.

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, 2009, 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, 2009, 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.

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

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

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, 2009, the Special Tax Refunding Bonds outstanding totaled \$6,880,000.

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

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

Beginning fund balance has been restated as follows:

Governmental Funds:

Major Governmental Funds:

South Bay Workforce Investment Board	
To record expenditures incurred in prior years.	\$ (206,994)

Nonmajor Governmental Funds:

Community Development Block Grant	
To reclassify prior year revenue belonging to the HOME Grant Fund.	(239,416)

HOME Grant

To reclassify prior year revenue incorrectly posted to the Community Development Block Grant Fund.	239,416
--	---------

Total Governmental Funds restatements	<u>\$ (206,994)</u>
---------------------------------------	---------------------

Proprietary Funds:

Enterprise Funds:

Airport Fund	
To record prior year capital asset additions.	<u>\$ 5,639,364</u>

Beginning net assets has been restated as follows:

Governmental Activities:

Governmental funds restatements detailed above	\$ (206,994)
--	--------------

Prior year deferred revenue for the South Bay Workforce Investment Board was overstated.	(8,898,073)
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To record property acquired in prior years.	<u>1,300,000</u>
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Total Governmental Activities	(7,805,067)
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Business-type Activities:

To record prior year capital asset additions.	<u>5,639,364</u>
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Total Net Asset restatements	<u>\$ (2,165,703)</u>
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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 13.321% for miscellaneous employees and 19.446% for safety employees. 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, 2009, were as follows:

Annual required contribution	\$ 6,172,517
Interest on net pension asset	(1,968,939)
Adjustment to annual required contribution	<u>2,246,839</u>
Annual pension cost	6,450,417
Contributions made	<u>6,172,517</u>
Decrease in net pension asset	(277,900)
Net pension asset beginning of year	<u>25,405,659</u>
Net pension asset end of year	<u>\$ 25,127,759</u>

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

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	21 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 3.00% and an annual production growth of 0.25%

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

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

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.

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	\$ 3,512	93.6%	\$ (25,663,570)
6/30/2008	5,963	95.9%	(25,405,659)
6/30/2009	6,173	95.7%	(25,127,759)

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 Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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
6/30/2008	121,191	128,635	7,444	94.2	17,117	43.5

For fiscal year 2008-2009, 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 Employee Benefits**

Plan Description

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:



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

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

General

All employees who have retired from a classification covered by the memorandum of understanding, are receiving retirement benefits from PERS, and have a minimum of 10 years of full-time employment, shall be entitled to enroll in a PERS health plan. The City agrees to reimburse an amount equal to the coverage for the plan in which the employee is enrolled. This benefit commences upon the employee's retirement date and ceases when the employee becomes ineligible for coverage under the PERS health benefits plan.

Fire

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

Police

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

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council and/or the employee association. Currently, contributions are not required from plan members.

The required contribution is based on a pay-as-you-go financing requirement with additional amounts to prefund benefits as determined by the City under an actuarial valuation. For fiscal year 2008-2009, the annual required contribution (ARC) was \$3,194,728, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The City pays for post-employment health insurance on a pay-as-you-go basis. For fiscal year 2008-2009, the City had expenditures of \$1,668,267 for other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

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

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 3,194,728
Interest on net pension obligation	-
Adjustment to ARC	-
Annual OPEB cost	<u>3,194,728</u>
Contribution made	<u>1,668,267</u>
Increase (decrease) in net OPEB obligation	1,526,461
Net OPEB obligation - July 1, 2008	-
Net OPEB obligation - June 30, 2009	<u>\$ 1,526,461</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2008-2009 fiscal year and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2007	n/a	n/a	n/a	n/a
6/30/2008	n/a	n/a	n/a	n/a
6/30/2009	\$ 3,194,728	\$1,668,267	52.2%	\$ 1,526,461

**Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Only one year is presented as this is the first year of the plan.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
3/1/2009	\$ -	\$ 44,113,659	\$ (44,113,659)	0.00%	\$ 21,379,856	206.33%

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

The actuarial valuation, dated March 1, 2009, used the Entry Age Normal actuarial cost method, a discount rate of 5.00% which is the long-term expected rate of return on the City's investment fund, an annual general inflation rate of 3.00%, and an annual aggregate payroll increase of 3.00%. The unfunded accrued actuarial liability (UAAL) is being amortized over a fixed 30-year period as a level percentage of projected payroll beginning with the 2008-2009 fiscal year. As of the actuarial valuation date, the City had 297 active participants and 237 recipients.

**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 \$5,426,013 reported in the fund at June 30, 2009, 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 2008 and 2009, were as follows:

Fiscal Year	Beginning Balance	Changes in Estimates	Claims Payments	Ending Balance
2007-2008	\$ 3,035,665	\$ 2,741,206	\$ (866,417)	\$ 4,910,454
2008-2009	4,910,454	2,192,962	(1,077,553)	6,025,863

**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:

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

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

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.

Proposition 218

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

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

**Note 12: Joint Ventures**

SBRPCA

The City is a member of the South Bay Regional Public Communications Authority (SBRPCA), a joint powers authority of the cities of Hawthorne, Gardena, Manhattan Beach and El Segundo. SBRPCA was formed October 14, 1975, for the purpose of financing a public safety communications system for the member cities. The governing board is composed of the mayor of each member city. During fiscal year 2008-2009, the City was assessed \$3,010,197, which was paid to SBRPCA for the operations and maintenance of the consolidated regional public safety services communications system that SBRPCA provides to its member cities.

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

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

As of and for the year ended June 30, 2009, SBRPCA's audited financial information is as follows:

South Bay Regional Public Communication Authority	
Net Assets:	
Total assets	\$ 12,019,798
Total liabilities	<u>855,886</u>
Total net assets	<u>\$ 11,163,912</u>
South Bay Regional Public Communication Authority	
Changes in Net Assets:	
Operating revenues	\$ 7,946,492
Operating expenses	<u>7,523,979</u>
Operating income (Loss)	422,513
Nonoperating revenues (expenses)	<u>105,535</u>
Change in net assets	528,048
Beginning net assets	<u>10,635,864</u>
Ending net assets	<u>\$ 11,163,912</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.

**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.

**Note 13: Subsequent Events**

**Local Government Revenues Withheld by the State of California**

On July 24, 2009, the California legislature approved the "borrowing" of up to 8 percent of the local property tax under Proposition 1A (2004). The City is a participant in the Proposition 1A Securitization Program offered by California Communities, a joint powers authority sponsored by the League of California Cities and California State Association of Counties. California Communities sold bonds on November 10, 2009 securitizing the future payments by the State and remit the proceeds of the bonds to the local governments who opt to participate in the program.

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

**Note 13: Subsequent Events (Continued)**

The purchase price paid on the sale of the City's receivable is 100% or \$1,159,889. Participants of the Securitization program have no obligation on the bonds and no credit exposure to the State. Distribution of the proceeds to the participants is expected 50% on January 15, 2010 and 50% on May 3, 2010.

**SERAF Tax Increment Revenue Shift for fiscal year 2009-2010 and 2010-2011**

On July 23, 2009, the California Legislature passed SB 26, requiring a shift in tax increment revenues during fiscal years 2009-2010 and 2010-2011 to be deposited into the county "Supplemental" Educational Revenue Augmentation Fund (SERAF) and which is to be distributed to meet the State's Prop 98 obligations to schools. It is estimated that the Agency's share of the SERAF shift for fiscal year 2009-2010 and 2010-2011 will amount to approximately \$3,167,192 and \$652,069, respectively. In October 2009, the California Redevelopment Association and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid. As of the date of this report, no legal determination has been made by the courts on that action.

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<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	\$ -	\$ 1,893,261	\$ -	\$ 1,352,560
Receivables:				
Accounts	-	-	-	-
Taxes	12,146	-	7,575	-
Notes and loans	-	-	-	-
Accrued interest	-	8,454	-	6,636
Prepaid costs	-	-	-	-
Due from other governments	-	295,511	60,386	43,057
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 12,146</b>	<b>\$ 2,197,226</b>	<b>\$ 67,961</b>	<b>\$ 1,402,253</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 103,894	\$ 247,598	\$ 125,503	\$ 42,768
Accrued liabilities	1,227	-	22,833	10,090
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	91,134	-	2,309,354	-
<b>Total Liabilities</b>	<b>196,255</b>	<b>247,598</b>	<b>2,457,690</b>	<b>52,858</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	4,767	4,819
Reserved for prepaid costs	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	(184,109)	1,949,628	(2,394,496)	1,344,576
<b>Total Fund Balances</b>	<b>(184,109)</b>	<b>1,949,628</b>	<b>(2,389,729)</b>	<b>1,349,395</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,146</b>	<b>\$ 2,197,226</b>	<b>\$ 67,961</b>	<b>\$ 1,402,253</b>

## CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

(Continued)

	Special Revenue Funds			
	COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	High Intensity Drug Trafficking
<b>Assets:</b>				
Cash and investments	\$ -	\$ -	\$ 10,311	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	325	-	52	-
Prepaid costs	-	-	-	-
Due from other governments	-	4,923	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 325</b>	<b>\$ 4,923</b>	<b>\$ 10,363</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	4,923	-	-
Unearned revenues	-	-	7,311	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	1,637	11,923	-	-
<b>Total Liabilities</b>	<b>1,637</b>	<b>16,846</b>	<b>7,311</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	(1,312)	(11,923)	3,052	-
<b>Total Fund Balances</b>	<b>(1,312)</b>	<b>(11,923)</b>	<b>3,052</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 325</b>	<b>\$ 4,923</b>	<b>\$ 10,363</b>	<b>\$ -</b>



CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>Special Revenue Funds</u>			
	<u>Proposition A</u>	<u>Proposition C</u>	<u>Rosecrans/ Aviation Project</u>	<u>Air Quality</u>
<b>Assets:</b>				
Cash and investments	\$ 129,259	\$ 141,455	\$ -	\$ 173,725
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	1,159	2,033	-	873
Prepaid costs	-	-	-	-
Due from other governments	85,571	152,105	-	28,141
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 215,989</u></b>	<b><u>\$ 295,593</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 202,739</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 27,326	\$ 2,322	\$ -	\$ -
Accrued liabilities	-	1,939	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	246,305	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b><u>273,631</u></b>	<b><u>4,261</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	-
Reserved for capital projects	120,000	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	(177,642)	291,332	-	202,739
<b>Total Fund Balances</b>	<b><u>(57,642)</u></b>	<b><u>291,332</u></b>	<b><u>-</u></b>	<b><u>202,739</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 215,989</u></b>	<b><u>\$ 295,593</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 202,739</u></b>

## CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

(Continued)

	Special Revenue Funds			
	Community Development Block Grant	American Down Payment Dream Program	HOME Grant	Housing Authority
<b>Assets:</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ 431,204
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	4,538,646	15,600	2,401,396	-
Accrued interest	-	-	-	464
Prepaid costs	-	-	-	845,868
Due from other governments	457,674	-	174,774	19,744
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ 4,996,320</b>	<b>\$ 15,600</b>	<b>\$ 2,576,170</b>	<b>\$ 1,297,280</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 38,836	\$ -	\$ -	\$ 1,558
Accrued liabilities	10,659	-	-	22,067
Deferred revenues	4,707,252	15,600	2,576,170	-
Unearned revenues	-	-	-	-
Deposits payable	17,897	-	-	-
Due to other governments	-	-	-	-
Due to other funds	251,721	-	208,870	-
<b>Total Liabilities</b>	<b>5,026,365</b>	<b>15,600</b>	<b>2,785,040</b>	<b>23,625</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	845,868
Reserved for capital projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	(30,045)	-	(208,870)	427,787
<b>Total Fund Balances</b>	<b>(30,045)</b>	<b>-</b>	<b>(208,870)</b>	<b>1,273,655</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,996,320</b>	<b>\$ 15,600</b>	<b>\$ 2,576,170</b>	<b>\$ 1,297,280</b>

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Special Revenue Funds			Capital Projects Fund
	California Used Oil Recycling	2009 Street Improvements	ABC Grant Assistance Program	Development Impact
<b>Assets:</b>				
Cash and investments	\$ -	\$ 1,671,309	\$ -	\$ 2,882,487
Receivables:				
Accounts	-	-	25,615	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	7,665	-	13,604
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 1,678,974</b>	<b>\$ 25,615</b>	<b>\$ 2,896,091</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 53	\$ -
Accrued liabilities	539	-	9,291	-
Deferred revenues	-	-	19,843	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	40,124	-	14,412	-
<b>Total Liabilities</b>	<b>40,663</b>	<b>-</b>	<b>43,599</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	13,279	-	-
Reserved for prepaid costs	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	2,896,091
Designated for debt service	-	-	-	-
Undesignated	(40,663)	1,665,695	(17,984)	-
<b>Total Fund Balances</b>	<b>(40,663)</b>	<b>1,678,974</b>	<b>(17,984)</b>	<b>2,896,091</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 1,678,974</b>	<b>\$ 25,615</b>	<b>\$ 2,896,091</b>

## CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

(Continued)

	Debt Service Funds			
	Public Financing Authority	CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond
<b>Assets:</b>				
Cash and investments	\$ -	\$ 22,166	\$ -	\$ 98,954
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	1,335,313	-	-	273,792
<b>Total Assets</b>	<b>\$ 1,335,313</b>	<b>\$ 22,166</b>	<b>\$ -</b>	<b>\$ 372,746</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	171,104	-	178,106	-
<b>Total Liabilities</b>	<b>171,104</b>	<b>-</b>	<b>178,106</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	1,164,209	22,166	-	372,746
Undesignated	-	-	(178,106)	-
<b>Total Fund Balances</b>	<b>1,164,209</b>	<b>22,166</b>	<b>(178,106)</b>	<b>372,746</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,335,313</b>	<b>\$ 22,166</b>	<b>\$ -</b>	<b>\$ 372,746</b>

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>	
Cash and investments	\$ 8,806,691
Receivables:	
Accounts	25,615
Taxes	19,721
Notes and loans	6,955,642
Accrued interest	41,265
Prepaid costs	845,868
Due from other governments	1,321,886
Restricted assets:	
Cash and investments with fiscal agents	1,609,105
	<u>1,609,105</u>
<b>Total Assets</b>	<b><u>\$ 19,625,793</u></b>
<b>Liabilities and Fund Balances:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 589,858
Accrued liabilities	78,645
Deferred revenues	7,323,788
Unearned revenues	7,311
Deposits payable	17,897
Due to other governments	246,305
Due to other funds	3,278,385
	<u>3,278,385</u>
<b>Total Liabilities</b>	<b><u>11,542,189</u></b>
<b>Fund Balances:</b>	
Reserved:	
Reserved for encumbrances	22,865
Reserved for prepaid costs	845,868
Reserved for capital projects	120,000
Unreserved:	
Designated for capital projects	2,896,091
Designated for debt service	1,559,121
Undesignated	2,639,659
	<u>2,639,659</u>
<b>Total Fund Balances</b>	<b><u>8,083,604</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 19,625,793</u></b>

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CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
<b>Revenues:</b>				
Taxes	\$ 539,493	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	2,179,819	201,386	-
Charges for services	-	-	210,646	-
Use of money and property	-	31,687	-	33,695
Fines and forfeitures	-	-	-	1,007,977
Contributions	-	-	-	-
Miscellaneous	-	-	225,796	-
<b>Total Revenues</b>	<b>539,493</b>	<b>2,211,506</b>	<b>637,828</b>	<b>1,041,672</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	620,764
Community development	-	-	-	-
Public works	730,166	704,889	2,214,769	-
Capital outlay	-	199,907	-	147,284
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>730,166</b>	<b>904,796</b>	<b>2,214,769</b>	<b>768,048</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,673)	1,306,710	(1,576,941)	273,624
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	1,000,000	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>
Net Change in Fund Balances	(190,673)	1,306,710	(576,941)	273,624
Fund Balances, Beginning of Year	6,564	642,918	(1,812,788)	1,075,771
<b>Fund Balances, End of Year</b>	<b>\$ (184,109)</b>	<b>\$ 1,949,628</b>	<b>\$ (2,389,729)</b>	<b>\$ 1,349,395</b>

## CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

(Continued)

	Special Revenue Funds			
	COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	High Intensity Drug Trafficking
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	100,000	59,613	107,684	7,047
Charges for services	-	-	-	-
Use of money and property	6,280	-	1,258	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>106,280</b>	<b>59,613</b>	<b>108,942</b>	<b>7,047</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	472,868	49,685	105,522	-
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	8,700	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>472,868</b>	<b>49,685</b>	<b>114,222</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(366,588)	9,928	(5,280)	7,047
<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	(366,588)	9,928	(5,280)	7,047
Fund Balances, Beginnig of Year	365,276	(21,851)	8,332	(7,047)
<b>Fund Balances, End of Year</b>	<b>\$ (1,312)</b>	<b>\$ (11,923)</b>	<b>\$ 3,052</b>	<b>\$ -</b>



CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

Special Revenue Funds

	Special Revenue Funds			
	Proposition A	Proposition C	Rosencrans/ Aviation Project	Air Quality
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,271,482	1,059,407	-	103,652
Charges for services	27,148	-	-	-
Use of money and property	9,835	17,568	-	5,921
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>1,308,465</b>	<b>1,076,975</b>	<b>-</b>	<b>109,573</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	161,682
Public works	1,604,094	1,437,201	-	-
Capital outlay	-	-	16,344	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>1,604,094</b>	<b>1,437,201</b>	<b>16,344</b>	<b>161,682</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(295,629)	(360,226)	(16,344)	(52,109)
<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	(295,629)	(360,226)	(16,344)	(52,109)
Fund Balances, Beginnig of Year	237,987	651,558	16,344	254,848
<b>Fund Balances, End of Year</b>	<b>\$ (57,642)</b>	<b>\$ 291,332</b>	<b>\$ -</b>	<b>\$ 202,739</b>

## CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

(Continued)

	Special Revenue Funds			
	Community Development Block Grant	American Down Payment Dream Program	HOME Grant	Housing Authority
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,962,034	34,539	2,424,084	9,695,670
Charges for services	644,324	-	66,734	-
Use of money and property	-	-	-	1,574
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	483,672
<b>Total Revenues</b>	<b>2,606,358</b>	<b>34,539</b>	<b>2,490,818</b>	<b>10,180,916</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	1,908,828	34,539	2,598,858	10,630,004
Public works	-	-	-	-
Capital outlay	1,103	-	-	-
Debt service:				
Principal retirement	475,000	-	-	-
Interest and fiscal charges	337,930	-	-	-
<b>Total Expenditures</b>	<b>2,722,861</b>	<b>34,539</b>	<b>2,598,858</b>	<b>10,630,004</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(116,503)	-	(108,040)	(449,088)
<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	(116,503)	-	(108,040)	(449,088)
Fund Balances, Beginning of Year	325,874	-	(340,246)	1,722,743
<b>Fund Balances, End of Year</b>	<b>\$ (30,045)</b>	<b>\$ -</b>	<b>\$ (208,870)</b>	<b>\$ 1,273,655</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			Capital Projects Fund
	California Used Oil Recycling	2009 Street Improvements	ABC Grant Assistance Program	Development Impact
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	217,303
Intergovernmental	-	75,376	31,465	-
Charges for services	-	-	-	-
Use of money and property	-	19,505	-	99,511
Fines and forfeitures	-	-	-	-
Contributions	-	200,000	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>294,881</b>	<b>31,465</b>	<b>316,814</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	47,036	-
Community development	-	-	-	5,832
Public works	7,071	48,698	-	-
Capital outlay	-	-	2,413	10,606
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>7,071</b>	<b>48,698</b>	<b>49,449</b>	<b>16,438</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,071)	246,183	(17,984)	300,376
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	(1,000,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,000,000)</b>
Net Change in Fund Balances	(7,071)	246,183	(17,984)	(699,624)
Fund Balances, Beginnig of Year	(33,592)	1,432,791	-	3,595,715
<b>Fund Balances, End of Year</b>	<b>\$ (40,663)</b>	<b>\$ 1,678,974</b>	<b>\$ (17,984)</b>	<b>\$ 2,896,091</b>

## CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

(Continued)

	Debt Service Funds			
	Public Financing Authority	CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	903	-	-	1,326
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	2,443,861	-
<b>Total Revenues</b>	<b>903</b>	<b>-</b>	<b>2,443,861</b>	<b>1,326</b>
<b>Expenditures:</b>				
Current:				
General government	9,913	63,134	-	4,746
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	345,000	493,140	1,205,000	105,000
Interest and fiscal charges	371,968	731,230	1,400,022	170,020
<b>Total Expenditures</b>	<b>726,881</b>	<b>1,287,504</b>	<b>2,605,022</b>	<b>279,766</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(725,978)	(1,287,504)	(161,161)	(278,440)
<b>Other Financing Sources (Uses):</b>				
Transfers in	723,687	1,280,000	-	275,000
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>723,687</b>	<b>1,280,000</b>	<b>-</b>	<b>275,000</b>
Net Change in Fund Balances	(2,291)	(7,504)	(161,161)	(3,440)
Fund Balances, Beginning of Year	1,166,500	29,670	(16,945)	376,186
<b>Fund Balances, End of Year</b>	<b>\$ 1,164,209</b>	<b>\$ 22,166</b>	<b>\$ (178,106)</b>	<b>\$ 372,746</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>	
Taxes	\$ 539,493
Licenses and permits	217,303
Intergovernmental	19,313,258
Charges for services	948,852
Use of money and property	229,063
Fines and forfeitures	1,007,977
Contributions	200,000
Miscellaneous	3,153,329
<b>Total Revenues</b>	<b>25,609,275</b>
<b>Expenditures:</b>	
Current:	
General government	77,793
Public safety	1,295,875
Community development	15,339,743
Public works	6,746,888
Capital outlay	386,357
Debt service:	
Principal retirement	2,623,140
Interest and fiscal charges	3,011,170
<b>Total Expenditures</b>	<b>29,480,966</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,871,691)
<b>Other Financing Sources (Uses):</b>	
Transfers in	3,278,687
Transfers out	(1,000,000)
<b>Total Other Financing Sources (Uses)</b>	<b>2,278,687</b>
Net Change in Fund Balances	(1,593,004)
Fund Balances, Beginning of Year	9,676,608
<b>Fund Balances, End of Year</b>	<b>\$ 8,083,604</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 STREET LIGHTING  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,564	\$ 6,564	\$ 6,564	\$ -
<b>Resources (Inflows):</b>				
Taxes	550,000	550,000	539,493	(10,507)
Use of money and property	11,000	11,000	-	(11,000)
<b>Amounts Available for Appropriation</b>	<b>567,564</b>	<b>567,564</b>	<b>546,057</b>	<b>(21,507)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	627,950	627,950	730,166	(102,216)
<b>Total Charges to Appropriation</b>	<b>627,950</b>	<b>627,950</b>	<b>730,166</b>	<b>(102,216)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (60,386)</b>	<b>\$ (60,386)</b>	<b>\$ (184,109)</b>	<b>\$ (123,723)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 642,918	\$ 642,918	\$ 642,918	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	2,449,530	2,449,530	2,179,819	(269,711)
Use of money and property	-	-	31,687	31,687
Miscellaneous	10,000	10,000	-	(10,000)
<b>Amounts Available for Appropriation</b>	<b>3,102,448</b>	<b>3,102,448</b>	<b>2,854,424</b>	<b>(248,024)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,064,213	1,064,213	704,889	359,324
Capital outlay	200,000	200,000	199,907	93
<b>Total Charges to Appropriation</b>	<b>1,264,213</b>	<b>1,264,213</b>	<b>904,796</b>	<b>359,417</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,838,235</b>	<b>\$ 1,838,235</b>	<b>\$ 1,949,628</b>	<b>\$ 111,393</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
STREET  
YEAR ENDED JUNE 30, 2009**

	<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	\$ (1,812,788)	\$ (1,812,788)	\$ (1,812,788)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	200,000	200,000	201,386	1,386
Charges for services	211,000	211,000	210,646	(354)
Miscellaneous	15,000	15,000	225,796	210,796
Transfers in	-	1,000,000	1,000,000	-
<b>Amounts Available for Appropriation</b>	<b>(1,386,788)</b>	<b>(386,788)</b>	<b>(174,960)</b>	<b>211,828</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	2,228,824	2,228,824	2,214,769	14,055
<b>Total Charges to Appropriation</b>	<b>2,228,824</b>	<b>2,228,824</b>	<b>2,214,769</b>	<b>14,055</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (3,615,612)</b>	<b>\$ (2,615,612)</b>	<b>\$ (2,389,729)</b>	<b>\$ 225,883</b>



CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
ASSET FORFEITURE  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 1,075,771	\$ 1,075,771	\$ 1,075,771	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	15,000	15,000	33,695	18,695
Fines and forfeitures	400,000	400,000	1,007,977	607,977
<b>Amounts Available for Appropriation</b>	<b>1,490,771</b>	<b>1,490,771</b>	<b>2,117,443</b>	<b>626,672</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	425,198	575,198	620,764	(45,566)
Capital outlay	137,957	112,957	147,284	(34,327)
<b>Total Charges to Appropriation</b>	<b>563,155</b>	<b>688,155</b>	<b>768,048</b>	<b>(79,893)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 927,616</b>	<b>\$ 802,616</b>	<b>\$ 1,349,395</b>	<b>\$ 546,779</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 COPS  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 365,276	\$ 365,276	\$ 365,276	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	172,000	100,000	100,000	-
Use of money and property	5,000	5,000	6,280	1,280
<b>Amounts Available for Appropriation</b>	<b>542,276</b>	<b>470,276</b>	<b>471,556</b>	<b>1,280</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	487,871	487,871	472,868	15,003
<b>Total Charges to Appropriation</b>	<b>487,871</b>	<b>487,871</b>	<b>472,868</b>	<b>15,003</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 54,405</b>	<b>\$ (17,595)</b>	<b>\$ (1,312)</b>	<b>\$ 16,283</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 CALIFORNIA OFFICE OF TRAFFIC SAFETY  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (21,851)	\$ (21,851)	\$ (21,851)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	36,007	66,315	59,613	(6,702)
<b>Amounts Available for Appropriation</b>	<b>14,156</b>	<b>44,464</b>	<b>37,762</b>	<b>(6,702)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	36,007	66,315	49,685	16,630
<b>Total Charges to Appropriation</b>	<b>36,007</b>	<b>66,315</b>	<b>49,685</b>	<b>16,630</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (21,851)</b>	<b>\$ (21,851)</b>	<b>\$ (11,923)</b>	<b>\$ 9,928</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
LOCAL LAW ENFORCEMENT BLOCK GRANT  
YEAR ENDED JUNE 30, 2009**

	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	129,984	402,133	107,684	(294,449)
Use of money and property	-	-	1,258	1,258
<b>Amounts Available for Appropriation</b>	<b>138,316</b>	<b>410,465</b>	<b>117,274</b>	<b>(293,191)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	114,218	376,367	105,522	270,845
Capital outlay	8,538	18,538	8,700	9,838
<b>Total Charges to Appropriation</b>	<b>122,756</b>	<b>394,905</b>	<b>114,222</b>	<b>280,683</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 15,560</b>	<b>\$ 15,560</b>	<b>\$ 3,052</b>	<b>\$ (12,508)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
PROPOSITION A  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 237,987	\$ 237,987	\$ 237,987	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,480,000	1,480,000	1,271,482	(208,518)
Charges for services	25,000	25,000	27,148	2,148
Use of money and property	5,500	5,500	9,835	4,335
<b>Amounts Available for Appropriation</b>	<b>1,748,487</b>	<b>1,748,487</b>	<b>1,546,452</b>	<b>(202,035)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,569,954	1,569,954	1,604,094	(34,140)
<b>Total Charges to Appropriation</b>	<b>1,569,954</b>	<b>1,569,954</b>	<b>1,604,094</b>	<b>(34,140)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 178,533</b>	<b>\$ 178,533</b>	<b>\$ (57,642)</b>	<b>\$ (236,175)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
PROPOSITION C  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 651,558	\$ 651,558	\$ 651,558	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,235,000	1,235,000	1,059,407	(175,593)
Use of money and property	12,000	12,000	17,568	5,568
<b>Amounts Available for Appropriation</b>	<b>1,898,558</b>	<b>1,898,558</b>	<b>1,728,533</b>	<b>(170,025)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	1,424,605	1,424,605	1,437,201	(12,596)
<b>Total Charges to Appropriation</b>	<b>1,424,605</b>	<b>1,424,605</b>	<b>1,437,201</b>	<b>(12,596)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 473,953</b>	<b>\$ 473,953</b>	<b>\$ 291,332</b>	<b>\$ (182,621)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
AIR QUALITY  
YEAR ENDED JUNE 30, 2009**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 254,848	\$ 254,848	\$ 254,848	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	110,000	110,000	103,652	(6,348)
Use of money and property	5,000	5,000	5,921	921
<b>Amounts Available for Appropriation</b>	<b>369,848</b>	<b>369,848</b>	<b>364,421</b>	<b>(5,427)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	166,054	166,054	161,682	4,372
<b>Total Charges to Appropriation</b>	<b>166,054</b>	<b>166,054</b>	<b>161,682</b>	<b>4,372</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 203,794</b>	<b>\$ 203,794</b>	<b>\$ 202,739</b>	<b>\$ (1,055)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT BLOCK GRANT  
YEAR ENDED JUNE 30, 2009**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 86,458	\$ 86,458	\$ 86,458	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	2,257,870	2,257,870	1,962,034	(295,836)
Charges for services	300,000	300,000	644,324	344,324
<b>Amounts Available for Appropriation</b>	<b>2,644,328</b>	<b>2,644,328</b>	<b>2,692,816</b>	<b>48,488</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	1,741,940	1,741,940	1,908,828	(166,888)
Capital outlay	3,000	3,000	1,103	1,897
Debt service:				
Principal retirement	475,000	475,000	475,000	-
Interest and fiscal charges	337,930	337,930	337,930	-
<b>Total Charges to Appropriation</b>	<b>2,557,870</b>	<b>2,557,870</b>	<b>2,722,861</b>	<b>(164,991)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 86,458</b>	<b>\$ 86,458</b>	<b>\$ (30,045)</b>	<b>\$ (116,503)</b>



CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
 AMERICAN DOWN PAYMENT DREAM PROGRAM  
 YEAR ENDED JUNE 30, 2009**

	<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
<b>Amounts Available for Appropriation</b>	<b>-</b>	<b>-</b>	<b>34,539</b>	<b>34,539</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	137,539	137,539	34,539	103,000
<b>Total Charges to Appropriation</b>	<b>137,539</b>	<b>137,539</b>	<b>34,539</b>	<b>103,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (137,539)</b>	<b>\$ (137,539)</b>	<b>\$ -</b>	<b>\$ 137,539</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
HOME GRANT  
YEAR ENDED JUNE 30, 2009**

	<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	\$ (100,830)	\$ (100,830)	\$ (100,830)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	2,754,673	2,754,673	2,424,084	(330,589)
Charges for services	-	-	66,734	66,734
<b>Amounts Available for Appropriation</b>	<b>2,653,843</b>	<b>2,653,843</b>	<b>2,389,988</b>	<b>(263,855)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	2,758,073	2,758,073	2,598,858	159,215
<b>Total Charges to Appropriation</b>	<b>2,758,073</b>	<b>2,758,073</b>	<b>2,598,858</b>	<b>159,215</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (104,230)</b>	<b>\$ (104,230)</b>	<b>\$ (208,870)</b>	<b>\$ (104,640)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
HOUSING AUTHORITY  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 1,722,743	\$ 1,722,743	\$ 1,722,743	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	10,484,000	10,484,000	9,695,670	(788,330)
Use of money and property	2,000	2,000	1,574	(426)
Miscellaneous	435,000	435,000	483,672	48,672
<b>Amounts Available for Appropriation</b>	<b>12,643,743</b>	<b>12,643,743</b>	<b>11,903,659</b>	<b>(740,084)</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	11,068,115	11,068,115	10,630,004	438,111
<b>Total Charges to Appropriation</b>	<b>11,068,115</b>	<b>11,068,115</b>	<b>10,630,004</b>	<b>438,111</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,575,628</b>	<b>\$ 1,575,628</b>	<b>\$ 1,273,655</b>	<b>\$ (301,973)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
CALIFORNIA USED OIL RECYCLING  
YEAR ENDED JUNE 30, 2009**

	<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	\$ (33,592)	\$ (33,592)	\$ (33,592)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	40,320	40,320	-	(40,320)
<b>Amounts Available for Appropriation</b>	<b>6,728</b>	<b>6,728</b>	<b>(33,592)</b>	<b>(40,320)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	40,320	40,320	7,071	33,249
<b>Total Charges to Appropriation</b>	<b>40,320</b>	<b>40,320</b>	<b>7,071</b>	<b>33,249</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (33,592)</b>	<b>\$ (33,592)</b>	<b>\$ (40,663)</b>	<b>\$ (7,071)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
2009 STREET IMPROVEMENTS  
YEAR ENDED JUNE 30, 2009**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,432,791	\$ 1,432,791	\$ 1,432,791	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	6,268,830	6,268,830	75,376	(6,193,454)
Use of money and property	-	-	19,505	19,505
Contributions	-	-	200,000	200,000
<b>Amounts Available for Appropriation</b>	<b>7,701,621</b>	<b>7,701,621</b>	<b>1,727,672</b>	<b>(5,973,949)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	6,268,830	6,268,830	48,698	6,220,132
<b>Total Charges to Appropriation</b>	<b>6,268,830</b>	<b>6,268,830</b>	<b>48,698</b>	<b>6,220,132</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,432,791</b>	<b>\$ 1,432,791</b>	<b>\$ 1,678,974</b>	<b>\$ 246,183</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
ABC GRANT ASSISTANCE PROGRAM  
YEAR ENDED JUNE 30, 2009**

	<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	51,743	51,743	31,465	(20,278)
<b>Amounts Available for Appropriation</b>	<b>51,743</b>	<b>51,743</b>	<b>31,465</b>	<b>(20,278)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	49,243	49,243	47,036	2,207
Capital outlay	2,500	2,500	2,413	87
<b>Total Charges to Appropriation</b>	<b>51,743</b>	<b>51,743</b>	<b>49,449</b>	<b>2,294</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (17,984)</b>	<b>\$ (17,984)</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 DEVELOPMENT IMPACT  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,595,715	\$ 3,595,715	\$ 3,595,715	\$ -
<b>Resources (Inflows):</b>				
Licenses and permits	200,000	200,000	217,303	17,303
Use of money and property	70,000	70,000	99,511	29,511
<b>Amounts Available for Appropriation</b>	<b>3,865,715</b>	<b>3,865,715</b>	<b>3,912,529</b>	<b>46,814</b>
<b>Charges to Appropriation (Outflow):</b>				
Community development	25,828	25,828	5,832	19,996
Capital outlay	500,000	500,000	10,606	489,394
Transfers out	-	1,000,000	1,000,000	-
<b>Total Charges to Appropriation</b>	<b>525,828</b>	<b>1,525,828</b>	<b>1,016,438</b>	<b>509,390</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 3,339,887</b>	<b>\$ 2,339,887</b>	<b>\$ 2,896,091</b>	<b>\$ 556,204</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY REDEVELOPMENT AGENCY - CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2009**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (51,797,541)	\$ (51,797,541)	\$ (51,797,541)	\$ -
<b>Resources (Inflows):</b>				
Taxes	2,000,000	2,000,000	2,573,087	573,087
Use of money and property	210,000	210,000	418,288	208,288
Miscellaneous	1,000	1,000	495	(505)
Transfers in	3,000,000	3,000,000	3,000,000	-
Notes and loans issued	-	-	1,125,000	1,125,000
<b>Amounts Available for Appropriation</b>	<b><u>(46,586,541)</u></b>	<b><u>(46,586,541)</u></b>	<b><u>(44,680,671)</u></b>	<b><u>1,905,870</u></b>
<b>Charges to Appropriation (Outflow):</b>				
General government	2,944,576	2,968,315	4,429,819	(1,461,504)
Capital outlay	-	4,840,000	3,839,322	1,000,678
Debt service:				
Principal retirement	149,687	149,687	205,244	(55,557)
Interest and fiscal charges	-	-	1,346,561	(1,346,561)
<b>Total Charges to Appropriation</b>	<b><u>3,094,263</u></b>	<b><u>7,958,002</u></b>	<b><u>9,820,946</u></b>	<b><u>(1,862,944)</u></b>
<b>Budgetary Fund Balance, June 30</b>	<b><u>\$ (49,680,804)</u></b>	<b><u>\$ (54,544,543)</u></b>	<b><u>\$ (54,501,617)</u></b>	<b><u>\$ 42,926</u></b>



CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC FINANCING AUTHORITY  
YEAR ENDED JUNE 30, 2009**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 1,166,500	\$ 1,166,500	\$ 1,166,500	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	9,000	9,000	903	(8,097)
Transfers in	718,000	718,000	723,687	5,687
<b>Amounts Available for Appropriation</b>	<b>1,893,500</b>	<b>1,893,500</b>	<b>1,891,090</b>	<b>(2,410)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	10,183	10,183	9,913	270
Debt service:				
Principal retirement	345,000	345,000	345,000	-
Interest and fiscal charges	371,968	371,968	371,968	-
<b>Total Charges to Appropriation</b>	<b>727,151</b>	<b>727,151</b>	<b>726,881</b>	<b>270</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 1,166,349</b>	<b>\$ 1,166,349</b>	<b>\$ 1,164,209</b>	<b>\$ (2,140)</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 CIEDB POLICE FACILITY LEASE OBLIGATION  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 29,670	\$ 29,670	\$ 29,670	\$ -
<b>Resources (Inflows):</b>				
Transfers in	1,280,000	1,280,000	1,280,000	-
<b>Amounts Available for Appropriation</b>	<b>1,309,670</b>	<b>1,309,670</b>	<b>1,309,670</b>	<b>-</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	63,134	63,134	63,134	-
Debt service:				
Principal retirement	493,140	493,140	493,140	-
Interest and fiscal charges	731,230	731,230	731,230	-
<b>Total Charges to Appropriation</b>	<b>1,287,504</b>	<b>1,287,504</b>	<b>1,287,504</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 22,166</b>	<b>\$ 22,166</b>	<b>\$ 22,166</b>	<b>\$ -</b>

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE  
 2005 PERS OBLIGATION BONDS  
 YEAR ENDED JUNE 30, 2009

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (16,945)	\$ (16,945)	\$ (16,945)	\$ -
<b>Resources (Inflows):</b>				
Miscellaneous	2,647,000	2,647,000	2,443,861	(203,139)
<b>Amounts Available for Appropriation</b>	<b>2,630,055</b>	<b>2,630,055</b>	<b>2,426,916</b>	<b>(203,139)</b>
<b>Charges to Appropriation (Outflow):</b>				
Debt service:				
Principal retirement	1,205,000	1,205,000	1,205,000	-
Interest and fiscal charges	1,400,022	1,400,022	1,400,022	-
<b>Total Charges to Appropriation</b>	<b>2,605,022</b>	<b>2,605,022</b>	<b>2,605,022</b>	<b>-</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 25,033</b>	<b>\$ 25,033</b>	<b>\$ (178,106)</b>	<b>\$ (203,139)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
SBRPCA 2007 SERIES B BOND  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 376,186	\$ 376,186	\$ 376,186	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	5,000	5,000	1,326	(3,674)
Transfers in	275,000	275,000	275,000	-
<b>Amounts Available for Appropriation</b>	<b>656,186</b>	<b>656,186</b>	<b>652,512</b>	<b>(3,674)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	4,200	4,200	4,746	(546)
Debt service:				
Principal retirement	105,000	105,000	105,000	-
Interest and fiscal charges	170,020	170,020	170,020	-
<b>Total Charges to Appropriation</b>	<b>279,220</b>	<b>279,220</b>	<b>279,766</b>	<b>(546)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 376,966</b>	<b>\$ 376,966</b>	<b>\$ 372,746</b>	<b>\$ (4,220)</b>

CITY OF HAWTHORNE

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY REDEVELOPMENT AGENCY - DEBT SERVICE  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 3,596,669	\$ 3,596,669	\$ 3,596,669	\$ -
<b>Resources (Inflows):</b>				
Taxes	8,750,000	8,750,000	11,025,664	2,275,664
Use of money and property	30,200	30,200	32,502	2,302
Miscellaneous	-	-	780,000	780,000
Transfers in	2,105,000	2,105,000	-	(2,105,000)
<b>Amounts Available for Appropriation</b>	<b>14,481,869</b>	<b>14,481,869</b>	<b>15,434,835</b>	<b>952,966</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	3,408,944	3,408,944	3,726,466	(317,522)
Debt service:				
Principal retirement	680,000	680,000	680,000	-
Interest and fiscal charges	2,245,826	2,245,826	2,245,826	-
Transfers out	5,105,000	5,105,000	3,000,000	2,105,000
<b>Total Charges to Appropriation</b>	<b>11,439,770</b>	<b>11,439,770</b>	<b>9,652,292</b>	<b>1,787,478</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 3,042,099</b>	<b>\$ 3,042,099</b>	<b>\$ 5,782,543</b>	<b>\$ 2,740,444</b>

CITY OF HAWTHORNE

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2009

	<u>Sewer and Storm Drain</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Assets:</b>		
Current:		
Cash and investments	\$ 1,267,361	\$ 1,267,361
Receivables:		
Accounts	95,523	95,523
<b>Total Current Assets</b>	<b><u>1,362,884</u></b>	<b><u>1,362,884</u></b>
Noncurrent:		
Capital assets - net of accumulated depreciation	325,392	325,392
<b>Total Noncurrent Assets</b>	<b><u>325,392</u></b>	<b><u>325,392</u></b>
<b>Total Assets</b>	<b><u>\$ 1,688,276</u></b>	<b><u>\$ 1,688,276</u></b>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Current:		
Accounts payable	\$ 16,450	\$ 16,450
Accrued liabilities	11,101	11,101
<b>Total Current Liabilities</b>	<b><u>27,551</u></b>	<b><u>27,551</u></b>
<b>Total Liabilities</b>	<b><u>27,551</u></b>	<b><u>27,551</u></b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	325,392	325,392
Unrestricted	1,335,333	1,335,333
<b>Total Net Assets</b>	<b><u>1,660,725</u></b>	<b><u>1,660,725</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,688,276</u></b>	<b><u>\$ 1,688,276</u></b>

CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2009**

	<b>Sewer and Storm Drain</b>	<b>Total Nonmajor Proprietary Funds</b>
<b>Operating Revenues:</b>		
Sales and service charges	\$ 1,147,837	\$ 1,147,837
Miscellaneous	7,840	7,840
<b>Total Operating Revenues</b>	<b>1,155,677</b>	<b>1,155,677</b>
<b>Operating Expenses:</b>		
Materials and supplies	87,151	87,151
Cost of sales and services	392,708	392,708
Administration and general	471,042	471,042
Depreciation expense	31,268	31,268
<b>Total Operating Expenses</b>	<b>982,169</b>	<b>982,169</b>
Operating Income (Loss)	173,508	173,508
Changes in Net Assets	173,508	173,508
<b>Net Assets:</b>		
Beginning of Fiscal Year	1,487,217	1,487,217
<b>End of Fiscal Year</b>	<b>\$ 1,660,725</b>	<b>\$ 1,660,725</b>

CITY OF HAWTHORNE

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 1,163,773	\$ 1,163,773
Cash paid to supplies for goods and services	(510,723)	(510,723)
Cash paid to employees for services	(470,986)	(470,986)
	<u>182,064</u>	<u>182,064</u>
<b>Net Cash Provided (Used) by Operating Activities</b>		
	<u>182,064</u>	<u>182,064</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		
	<u>1,085,297</u>	<u>1,085,297</u>
Cash and Cash Equivalents at Beginning of Year		
	<u>\$ 1,267,361</u>	<u>\$ 1,267,361</u>
<b>Cash and Cash Equivalents at End of Year</b>		
	<u>\$ 1,267,361</u>	<u>\$ 1,267,361</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 173,508	\$ 173,508
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation	31,268	31,268
(Increase) decrease in accounts receivable	8,096	8,096
Increase (decrease) in accounts payable	(30,864)	(30,864)
Increase (decrease) in accrued liabilities	56	56
	<u>8,556</u>	<u>8,556</u>
<b>Total Adjustments</b>		
	<u>\$ 182,064</u>	<u>\$ 182,064</u>
<b>Net Cash Provided (Used) by Operating Activities</b>		
	<u>\$ 182,064</u>	<u>\$ 182,064</u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
There were no noncash transactions during the year.		



CITY OF HAWTHORNE

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2009**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total Internal Service Funds</u>
<b>Assets:</b>			
Current:			
Cash and investments	\$ 2,105,435	\$ 18,717	\$ 2,124,152
Receivables:			
Accounts	42,261	16,969	59,230
Notes and loans	310,000	-	310,000
Inventories	14,311	-	14,311
<b>Total Current Assets</b>	<b><u>2,472,007</u></b>	<b><u>35,686</u></b>	<b><u>2,507,693</u></b>
Noncurrent:			
Capital assets - net of accumulated depreciation	1,189,486	-	1,189,486
<b>Total Noncurrent Assets</b>	<b><u>1,189,486</u></b>	<b><u>-</u></b>	<b><u>1,189,486</u></b>
<b>Total Assets</b>	<b><u>\$ 3,661,493</u></b>	<b><u>\$ 35,686</u></b>	<b><u>\$ 3,697,179</u></b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	\$ 141,197	\$ 123,205	\$ 264,402
Accrued liabilities	6,808	8,419	15,227
Compensated absences	1,178	-	1,178
Claims and judgments	-	1,322,319	1,322,319
<b>Total Current Liabilities</b>	<b><u>149,183</u></b>	<b><u>1,453,943</u></b>	<b><u>1,603,126</u></b>
Noncurrent:			
Compensated absences	3,534	-	3,534
Claims and judgments	-	4,703,544	4,703,544
<b>Total Noncurrent Liabilities</b>	<b><u>3,534</u></b>	<b><u>4,703,544</u></b>	<b><u>4,707,078</u></b>
<b>Total Liabilities</b>	<b><u>152,717</u></b>	<b><u>6,157,487</u></b>	<b><u>6,310,204</u></b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	1,189,486	-	1,189,486
Unrestricted	2,319,290	(6,121,801)	(3,802,511)
<b>Total Net Assets</b>	<b><u>3,508,776</u></b>	<b><u>(6,121,801)</u></b>	<b><u>(2,613,025)</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,661,493</u></b>	<b><u>\$ 35,686</u></b>	<b><u>\$ 3,697,179</u></b>

CITY OF HAWTHORNE

**COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2009**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total Internal Service Funds</u>
<b>Operating Revenues:</b>			
Sales and service charges	\$ 2,029,549	\$ 2,962,295	\$ 4,991,844
Miscellaneous	122,940	83,388	206,328
<b>Total Operating Revenues</b>	<b><u>2,152,489</u></b>	<b><u>3,045,683</u></b>	<b><u>5,198,172</u></b>
<b>Operating Expenses:</b>			
Materials and supplies	905,879	-	905,879
Contractual services	45,013	3,948,463	3,993,476
Administration and general	458,852	318,905	777,757
Depreciation expense	596,124	-	596,124
<b>Total Operating Expenses</b>	<b><u>2,005,868</u></b>	<b><u>4,267,368</u></b>	<b><u>6,273,236</u></b>
Operating Income (Loss)	146,621	(1,221,685)	(1,075,064)
Income (Loss) Before Transfers	146,621	(1,221,685)	(1,075,064)
Transfers out	(600,000)	-	(600,000)
Changes in Net Assets	(453,379)	(1,221,685)	(1,675,064)
<b>Net Assets:</b>			
Beginning of Fiscal Year	3,962,155	(4,900,116)	(937,961)
<b>End of Fiscal Year</b>	<b><u>\$ 3,508,776</u></b>	<b><u>\$ (6,121,801)</u></b>	<b><u>\$ (2,613,025)</u></b>

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2009**

	<b>Equipment Replacement</b>	<b>Insurance Reserve</b>	<b>Total Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 2,110,228	\$ 3,076,417	\$ 5,186,645
Cash paid to supplies for goods and services	(1,001,114)	(2,816,146)	(3,817,260)
Cash paid to employees for services	(467,621)	(317,923)	(785,544)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>641,493</b>	<b>(57,652)</b>	<b>583,841</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers out	(600,000)	-	(600,000)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(600,000)</b>	<b>-</b>	<b>(600,000)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(566,322)	-	(566,322)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(566,322)</b>	<b>-</b>	<b>(566,322)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(524,829)</b>	<b>(57,652)</b>	<b>(582,481)</b>
Cash and Cash Equivalents at Beginning of Year	2,630,264	76,369	2,706,633
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,105,435</b>	<b>\$ 18,717</b>	<b>\$ 2,124,152</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 146,621	\$ (1,221,685)	\$ (1,075,064)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	596,124	-	596,124
(Increase) decrease in accounts receivable	(42,261)	30,734	(11,527)
Increase (decrease) in accounts payable	(50,222)	16,908	(33,314)
Increase (decrease) in accrued liabilities	(2,242)	982	(1,260)
Increase (decrease) in claims and judgments	-	1,115,409	1,115,409
Increase (decrease) in compensated absences	(6,527)	-	(6,527)
<b>Total Adjustments</b>	<b>494,872</b>	<b>1,164,033</b>	<b>1,658,905</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 641,493</b>	<b>\$ (57,652)</b>	<b>\$ 583,841</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
There were no noncash transactions during the year.			

CITY OF HAWTHORNE

COMBINING BALANCE SHEET  
 ALL AGENCY FUNDS  
 JUNE 30, 2009

	<u>Community Facilities District</u>	<u>City Agency</u>	<u>Total</u>
<b>Assets:</b>			
Cash and investments	\$ 2,705,201	\$ 380,137	\$ 3,085,338
Receivables:			
Taxes	10,813	-	10,813
Restricted assets:			
Cash and investments with fiscal agents	7,266,081	-	7,266,081
<b>Total Assets</b>	<b><u>\$ 9,982,095</u></b>	<b><u>\$ 380,137</u></b>	<b><u>\$ 10,362,232</u></b>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 16,269	\$ 16,269
Accrued liabilities	621,000	-	621,000
Deposits payable	-	363,868	363,868
Due to bondholders	9,361,095	-	9,361,095
<b>Total Liabilities</b>	<b><u>\$ 9,982,095</u></b>	<b><u>\$ 380,137</u></b>	<b><u>\$ 10,362,232</u></b>

## CITY OF HAWTHORNE

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2009**

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<b><u>Community Facilities District</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 1,900,070	\$ 4,480,988	\$ 3,675,857	\$ 2,705,201
Receivables:				
Accounts	195,974	-	195,974	-
Taxes	1,683	10,813	1,683	10,813
Restricted assets:				
Cash and investments with fiscal agents	15,420,481	4,799,849	12,954,249	7,266,081
<b>Total Assets</b>	<b>\$ 17,518,208</b>	<b>\$ 9,291,650</b>	<b>\$ 16,827,763</b>	<b>\$ 9,982,095</b>
<b>Liabilities:</b>				
Accounts payable	\$ 41,239	\$ 128,157	\$ 169,396	\$ -
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	16,855,969	4,719,967	12,214,841	9,361,095
<b>Total Liabilities</b>	<b>\$ 17,518,208</b>	<b>\$ 4,848,124</b>	<b>\$ 12,384,237</b>	<b>\$ 9,982,095</b>
<b><u>City Agency</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 257,641	\$ 4,740,653	\$ 4,618,157	\$ 380,137
Receivables:				
Accounts	134,476	-	134,476	-
<b>Total Assets</b>	<b>\$ 392,117</b>	<b>\$ 4,740,653</b>	<b>\$ 4,752,633</b>	<b>\$ 380,137</b>
<b>Liabilities:</b>				
Accounts payable	\$ 18,129	\$ 773,977	\$ 775,837	\$ 16,269
Deposits payable	373,988	4,662,856	4,672,976	363,868
<b>Total Liabilities</b>	<b>\$ 392,117</b>	<b>\$ 5,436,833</b>	<b>\$ 5,448,813</b>	<b>\$ 380,137</b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 2,157,711	\$ 9,221,641	\$ 8,294,014	\$ 3,085,338
Receivables:				
Accounts	330,450	-	330,450	-
Taxes	1,683	10,813	1,683	10,813
Restricted assets:				
Cash and investments with fiscal agents	15,420,481	4,799,849	12,954,249	7,266,081
<b>Total Assets</b>	<b>\$ 17,910,325</b>	<b>\$ 14,032,303</b>	<b>\$ 21,580,396</b>	<b>\$ 10,362,232</b>
<b>Liabilities:</b>				
Accounts payable	\$ 59,368	\$ 902,134	\$ 945,233	\$ 16,269
Accrued liabilities	621,000	-	-	621,000
Deposits payable	373,988	4,662,856	4,672,976	363,868
Due to bondholders	16,855,969	4,719,967	12,214,841	9,361,095
<b>Total Liabilities</b>	<b>\$ 17,910,325</b>	<b>\$ 10,284,957</b>	<b>\$ 17,833,050</b>	<b>\$ 10,362,232</b>