

**Audited Financial Statements
City of Hawthorne, California
Year ended June 30, 2011
with Report of Independent Auditors**

	<u>PAGE</u>
FINANCIAL SECTION	
Report of Independent Auditors	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds	
Statement of Net Assets	16
Statement of Revenues, Expenses, and Changes in Net Assets	17
Statement of Cash Flows	18
Fiduciary Fund	
Statement of Fiduciary Assets and Liabilities	19
Notes to Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	59
South Bay Workforce Investment Board	60
Schedule of Funding Progress	61
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	66

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION (CONTINUED)	
Budgetary Comparison Schedules – Special Revenue Funds	
Street Lighting	70
Gas Tax	71
Street	72
Asset Forfeiture	73
COPS	74
California Office of Traffic Safety	75
Local Law Enforcement Block Grant	76
MTA Measure R	77
Proposition A	78
Proposition C	79
Federal Stimulus	80
Air Quality	81
Community Development Block Grant	82
HOME Grant	83
Housing Authority	84
California Used Oil Recycling	85
2009 Street Improvements	86
ABC Grant Assistance Program	87
Energy Efficiency and Conservation Project	88
HPRP Funds	89
Budgetary Comparison Schedules – Capital Projects Funds	
Development Impact	90
Community Redevelopment Agency	91
Budgetary Comparison Schedules – Debt Service Funds	
Public Financing Authority	92
CIEDB Police Facility Lease Obligation	93
2005 PERS Obligation Bonds	94
SBRPCA 2007 Series B Bond	95
Community Redevelopment Agency	96
Internal Service Funds	
Combining Statement of Net Assets	97
Combining Statement of Revenues, Expenditures and Changes in Net Assets	98
Combining Statement of Cash Flows	99
Agency Funds	
Combining Statement of Assets and Liabilities	100
Combining Statement of Changes in Assets and Liabilities	101

REPORT OF INDEPENDENT AUDITORS

The Honorable Mayor and the 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 (the City), as of and for the year ended June 30, 2011, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not adopted a control process for monitoring and reconciling the balance of notes and loans receivables which are shown in the government-wide financial statements. Moreover, management has not reviewed the collectibility of these receivables and therefore, has not considered the need to provide allowance for uncollectible amounts. We were not able to determine the effect, if any, of such adjustment necessary to correct the balance of notes and loans receivable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary to correct the balance of loans and notes receivables and record adequate allowance for doubtful accounts, 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, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, the California Supreme Court has upheld legislative bill ABX1 26 which dissolves California redevelopment agencies and establishes mechanisms for paying existing agency debts and liquidating agency assets. The effect of this legislation on the City of Hawthorne's financial position and operations is not reasonably determinable.

As discussed in Note 1, the City of Hawthorne has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, effective for the fiscal year ended June 30, 2011. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new fund balance classifications under GASB 54.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 3 through 9 and 58 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawthorne's basic financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 result 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.

A handwritten signature in dark ink that reads "Varguez + Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
March 30, 2012

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, 2011. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- ♦ At June 30, 2011, the City's net assets (excess of assets over liabilities) were \$58.0 million. Of this amount, \$24.9 million has already been set aside to meet certain ongoing operations of the City.
- ♦ During the fiscal year ended June 30, 2011, the City's net assets increased by \$3.1 million.
- ♦ At the end of the fiscal year ended June 30, 2011, unassigned fund balance for the General Fund was \$16.1 million, or 32 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, changes 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, which are reported in detail in the Governmental Fund Financial Statements. All other funds are shown in the aggregate as other nonmajor funds. Individual fund data for other nonmajor 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, 2011, net assets of the City were \$58.0 million, which is an increase of \$3.1 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years June 30, 2011 and 2010.

City of Hawthorne
Management's Discussion and Analysis
June 30, 2011

Net Assets (dollars in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 81,784	\$ 93,906	\$ (1,396)	\$ (662)	\$ 80,388	\$ 93,244
Capital Assets	121,159	118,485	11,100	11,477	132,259	129,962
Total Assets	202,943	212,391	9,704	10,815	212,647	223,206
Other Liabilities	12,151	26,435	143	828	12,294	27,263
Long-term Liabilities	142,211	140,944	105	108	142,316	141,052
Total Liabilities	154,362	167,379	248	936	154,610	168,315
Net Assets:						
Invested in capital assets, net of related debt	46,716	41,658	11,100	11,477	57,816	53,135
Restricted	24,935	14,716	-	-	24,935	14,716
Unrestricted	(23,069)	(11,362)	(1,644)	(1,599)	(24,713)	(12,961)
Total Net Assets	\$ 48,582	\$ 45,012	\$ 9,456	\$ 9,878	\$ 58,038	\$ 54,890

Approximately \$57.8 million 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 debts to acquire those assets that are 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 \$24.9 million represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is generally used to meet the City's ongoing obligations to citizens and creditors. In this case, the net effect of assets versus liabilities coupled with restrictions for investments in capital assets created a negative number in unrestricted net assets.

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2011 and 2010.

City of Hawthorne
Management's Discussion and Analysis
June 30, 2011

Change in Net Assets (dollars in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 10,137	\$ 9,423	\$ 1,832	\$ 1,260	\$ 11,969	\$ 10,683
Operating Grants and Contributions	108,504	100,757	-	-	108,504	100,757
Capital Grants and Contributions	6,122	4,967	-	79	6,122	5,046
General Revenues:						
Taxes:						
Property Taxes	25,832	24,583	-	-	25,832	24,583
Other taxes	27,445	25,031	-	-	27,445	25,031
Other	978	4,029	-	414	978	4,443
Total revenues	<u>179,018</u>	<u>168,790</u>	<u>1,832</u>	<u>1,753</u>	<u>180,850</u>	<u>170,543</u>
Expenses						
General Government	13,530	17,791	-	-	13,530	17,791
Public Safety	38,763	37,005	-	-	38,763	37,005
Community Development	102,613	117,997	-	-	102,613	117,997
Parks and recreation	1,621	1,742	-	-	1,621	1,742
Public works	13,128	12,127	-	-	13,128	12,127
Interest on long-term debt	6,355	6,349	-	-	6,355	6,349
Airport	-	-	888	929	888	929
Sewer and storm drain	-	-	805	950	805	950
Total expenses	<u>176,010</u>	<u>193,011</u>	<u>1,693</u>	<u>1,879</u>	<u>177,703</u>	<u>194,890</u>
Change in net assets before transfers	3,008	(24,221)	139	(126)	3,147	(24,347)
Transfers	<u>561</u>	<u>-</u>	<u>(561)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	3,570	(24,221)	(422)	(126)	3,147	(24,347)
Net assets, beginning	<u>45,013</u>	<u>69,233</u>	<u>9,878</u>	<u>10,004</u>	<u>54,891</u>	<u>79,237</u>
Net assets, ending	<u>\$ 48,583</u>	<u>\$ 45,012</u>	<u>\$ 9,456</u>	<u>\$ 9,878</u>	<u>\$ 58,038</u>	<u>\$ 54,890</u>

The City's net assets from governmental activities totaled \$48.5 million. The cost of all governmental activities this year was \$176 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$54.2 million because some of the cost was paid by those who directly benefited from the programs (\$9.8 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$114.6 million). Overall, the City's governmental program revenues were \$124.4 million. The City paid for the remaining "public benefit" portion of governmental activities with \$53.3 million in taxes (some of which could only be used for certain programs) and with \$1.5 million of other revenues, such as interest earnings and general entitlements.

Revenue highlights:

- ♦ General Revenues increased \$612 thousand from the prior year mainly due to an increase in property taxes during the year.
- ♦ Charges for services increased nearly \$388 thousand due to an increase in the collection of development impact fees.
- ♦ Operating and Capital contributions and grants Increased \$9 million. This increase is principally related to the award of federal stimulus grants for street improvement and other projects. This also includes local grants and contributions.

Expense highlights:

- ♦ Expenses decreased overall by \$16.8 million because of decrease in expenses for employment programs provided through South Bay Workforce Investment Board (SBWIB) which is funded by federal sources.

Business-type Activities

The City's business-type activities decreased net assets by \$422 thousand. Key elements of this decrease are as follows:

Revenue Highlights:

- ♦ Total program revenue in the business-type activities increased by nearly \$158 thousand primarily because of increase in sewer charges.

Expense Highlights:

- ♦ Total expenses in the business-type activities decreased \$186 thousand because of reduction in cost of sales and services during the fiscal year.
- ♦ However, transfers were made by the sewer business-type fund to governmental fund amounting to \$561 thousand during the year.

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 2010-11, the City's governmental funds reported combined ending fund balance deficit of \$5.5 million, a decrease of \$10.6 million in comparison with the deficit in prior fiscal

year. Of this amount, \$8.7 million is restricted 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 2010-11, unassigned fund balance of the General Fund was \$16 million, while the total fund balance was \$34.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. At June 30, 2011, unassigned fund balance was 32 percent of total General Fund expenditures and transfers out, while total fund balance was 68 percent of total expenditures and transfers out.

The City's General Fund balance shows an increase of \$5.6 million in Fiscal Year 2010-11 as compared to a decrease of \$2.5 million in Fiscal Year 2009-10.

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, 2011, net capital assets totaled \$121.2 million for governmental activities and \$11.1 million for business-type activities, net of accumulated 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 2010-11 was \$2.3 million, or 1.8 percent.

Debt Administration

At the end of the current fiscal year, the City had total bonded debt outstanding of \$122.7 million. The amount mainly represents tax allocation bonds issued by the Redevelopment Agency to fund redevelopment projects within the project areas and the City's pension obligation bonds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

City of Hawthorne
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 27,651,817	\$ 325	\$ 27,652,142
Cash and investments with fiscal agent	2,198,527	-	2,198,527
Receivables:			
Accounts	6,837,484	124,582	6,962,066
Taxes	1,484,831	-	1,484,831
Interest	11,169	-	11,169
Contracts and notes	7,219,024	-	7,219,024
Internal balances	1,520,851	(1,520,851)	-
Prepaid costs	832,337	-	832,337
Due from other governments	3,501,789	-	3,501,789
Inventories	72,601	-	72,601
Deferred charges	2,061,446	-	2,061,446
Net pension asset	24,532,454	-	24,532,454
Investment in joint venture	3,860,007	-	3,860,007
Capital assets, not being depreciated	8,798,803	37,314	8,836,117
Capital assets, net of accumulated depreciation	<u>112,360,364</u>	<u>11,062,876</u>	<u>123,423,240</u>
Total assets	<u>202,943,504</u>	<u>9,704,246</u>	<u>212,647,750</u>
Liabilities			
Accounts payable	7,538,584	57,102	7,595,686
Accrued liabilities	1,280,624	24,799	1,305,423
Accrued interest	2,058,699	-	2,058,699
Unearned revenue	1,204,640	42,636	1,247,276
Deposits payable	68,762	18,172	86,934
Noncurrent liabilities:			
Due within one year	6,666,371	19,000	6,685,371
Due in more than one year	<u>135,544,254</u>	<u>86,268</u>	<u>135,630,522</u>
Total liabilities	<u>154,361,934</u>	<u>247,977</u>	<u>154,609,911</u>
Net Assets			
Invested in capital assets, net of related debt	46,716,073	11,100,190	57,816,263
Restricted for:			
Community development projects	15,074,542	-	15,074,542
Public safety	129,753	-	129,753
Capital projects	8,456,744	-	8,456,744
Debt service	1,273,778	-	1,273,778
Unrestricted	<u>(23,069,320)</u>	<u>(1,643,921)</u>	<u>(24,713,241)</u>
Total net assets	<u>\$ 48,581,570</u>	<u>\$ 9,456,269</u>	<u>\$ 58,037,839</u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Activities
Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 13,528,644	\$ 3,230,313	\$ 4,410,997	\$ -	\$ (5,887,334)	\$ -	\$ (5,887,334)
Public safety	38,762,602	4,026,904	813,964	-	(33,921,734)	-	(33,921,734)
Community development	102,613,415	-	99,580,450	838,982	(2,193,983)	-	(2,193,983)
Parks and recreation	1,621,402	657,721	36,170	-	(927,511)	-	(927,511)
Public works	13,128,404	2,221,701	3,662,899	5,282,736	(1,961,068)	-	(1,961,068)
Interest on long-term debt	6,355,253	-	-	-	(6,355,253)	-	(6,355,253)
Total governmental activities	176,009,720	10,136,639	108,504,480	6,121,718	(51,246,883)	-	(51,246,883)
Business-type activities:							
Airport	887,718	585,975	-	-	-	(301,743)	(301,743)
Sewer and storm drain	805,277	1,246,078	-	-	-	440,801	440,801
Total business-type activities	1,692,995	1,832,053	-	-	-	139,058	139,058
Total primary government	\$ 177,702,715	\$ 11,968,692	\$ 108,504,480	\$ 6,121,718	(51,246,883)	139,058	(51,107,825)
General revenues:							
Taxes:							
Property taxes					25,832,453	-	25,832,453
Transient occupancy taxes					2,017,281	-	2,017,281
Sales taxes					10,983,038	-	10,983,038
Franchise taxes					1,805,767	-	1,805,767
Business license taxes					4,878,608	-	4,878,608
Utility users tax					6,996,505	-	6,996,505
Other taxes					356,411	-	356,411
Motor-vehicle in lieu - unrestricted					406,935	-	406,935
Use of money and property					978,096	-	978,096
Transfers					560,774	(560,774)	-
Total general revenues					54,815,868	(560,774)	54,255,094
Change in net assets					3,568,985	(421,716)	3,147,269
Net assets - beginning					45,012,585	9,877,985	54,890,570
Net assets - ending					\$ 48,581,570	\$ 9,456,269	\$ 58,037,839

See report of independent auditors and notes to financial statements.

City of Hawthorne
Governmental Funds
Balance Sheet
June 30, 2011

	General	Special Revenue Fund South Bay Workforce Investment Board	Capital Projects Fund Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 6,038,637	\$ 1,431,763	\$ 7,948,888	\$ 9,260,342	\$ 24,679,630
Cash with fiscal agent	-	-	-	2,198,527	2,198,527
Receivables:					
Accounts	4,410,574	-	815	2,411,654	6,823,043
Taxes	104,177	-	314,505	1,066,149	1,484,831
Notes and loans	-	-	299,935	6,919,089	7,219,024
Accrued interest	4,620	-	3,076	3,473	11,169
Prepaid items	-	-	-	832,337	832,337
Due from other governments	-	3,270,139	-	231,650	3,501,789
Due from other funds	8,239,581	-	-	3,300,000	11,539,581
Advances to other funds	55,282,026	-	-	-	55,282,026
Inventories	58,290	-	-	-	58,290
Total assets	<u>\$ 74,137,905</u>	<u>\$ 4,701,902</u>	<u>\$ 8,567,219</u>	<u>\$ 26,223,221</u>	<u>\$ 113,630,247</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,779,529	\$ 3,757,569	\$ 52,945	\$ 1,461,034	\$ 7,051,077
Accrued liabilities	915,214	249,949	7,855	88,662	1,261,680
Deferred revenues	36,933,385	111,833	299,935	7,978,284	45,323,437
Unearned revenues	-	-	-	9,844	9,844
Deposits payable	25,000	-	25,865	17,897	68,762
Due to other funds	-	-	4,300,574	5,880,672	10,181,246
Advances from other funds	-	-	55,282,026	-	55,282,026
Total liabilities	<u>39,653,128</u>	<u>4,119,351</u>	<u>59,969,200</u>	<u>15,436,393</u>	<u>119,178,072</u>
Fund balances (deficits):					
Nonspendable					
Advances to other funds	18,348,641	-	-	-	18,348,641
Prepaid items	58,290	-	-	832,337	890,627
Restricted	-	-	-	8,697,995	8,697,995
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned					
General fund	16,077,846	582,551	-	-	16,660,397
Debt service fund	-	-	-	1,256,496	1,256,496
Capital projects fund	-	-	(51,401,981)	-	(51,401,981)
Total fund balances	<u>34,484,777</u>	<u>582,551</u>	<u>(51,401,981)</u>	<u>10,786,828</u>	<u>(5,547,825)</u>
Total liabilities and fund balances	<u>\$ 74,137,905</u>	<u>\$ 4,701,902</u>	<u>\$ 8,567,219</u>	<u>\$ 26,223,221</u>	<u>\$ 113,630,247</u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Fund balances of governmental funds \$ (5,547,825)

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 funds activity. 119,823,283

Investments in joint venture have not been included as financial resources in governmental funds activity. 3,860,007

Bond issuance costs is an expenditure in the governmental funds, but it is a deferred charge in the Statement of Net Assets 2,061,446

Net pension asset pertain to proceeds of pension obligation bonds used to prepay the PERS unfunded obligation. This prepayment was recorded as an expenditure in the governmental funds statements when payment was made. The prepayment is amortized over the PERS actuarial amortization period in the government-wide financial statements. 24,532,454

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Tax allocation bonds payable	\$	(42,745,000)	
Notes payable		(24,553,438)	
Revenue bonds 2011 Series A		(6,227,391)	
Pension obligation bonds		(25,330,000)	
SBRPCA 2007 bonds		(3,520,000)	
Section 108 loans payable		(5,200,000)	
Loans payable - West Basin		(78,247)	
Lease payable		(16,672,456)	
Other postemployment benefits obligation		(4,342,797)	
Unamortized bond discount		84,489	
Unamortized bond premium		(867,237)	
Unamortized loss on bond defeasance		121,767	
Compensated absences		(7,166,716)	
			(136,497,026)

Deferred revenues are not available to pay for current expenditures and therefore, are deferred in the funds but are recognized as revenues in the Statement of Activities. 44,128,641

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. (2,058,699)

Internal service funds are used to charge the cost of activities to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets. (1,720,711)

Net assets of governmental activities \$ 48,581,570

See report of independent auditors and notes to financial statements.

City of Hawthorne
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year ended June 30, 2011

	General	Special Revenue Fund South Bay Workforce Investment Board	Capital Projects Fund Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 41,095,874	\$ -	\$ 2,157,992	\$ 14,271,485	\$ 57,525,351
Licenses and permits	1,661,731	-	-	-	1,661,731
Intergovernmental	2,945,368	86,478,466	-	19,809,777	109,233,611
Charges for services	1,590,885	-	-	199,663	1,790,548
Fines and forfeitures	2,420,735	-	-	603,551	3,024,286
Use of money and property	4,316,549	-	386,031	338,918	5,041,498
Contributions	2,349,180	-	-	-	2,349,180
Miscellaneous	195,185	-	141,178	5,468,267	5,804,630
Total revenues	<u>56,575,507</u>	<u>86,478,466</u>	<u>2,685,201</u>	<u>40,691,661</u>	<u>186,430,835</u>
Expenditures					
Current:					
General government	4,989,548	-	1,278,858	5,416,758	11,685,164
Public safety	35,900,939	-	-	693,181	36,594,120
Community development	1,708,134	85,058,454	2,076,703	13,192,727	102,036,018
Parks and recreation	1,412,709	-	-	-	1,412,709
Public works	4,432,357	-	-	7,766,921	12,199,278
Capital outlay	181,491	65,055	16,034	5,327,623	5,590,203
Debt Service:					
Principal payment	-	-	-	8,611,765	8,611,765
Interest and fiscal charges	14,183	-	1,221,600	4,535,964	5,771,747
Total expenditures	<u>48,639,361</u>	<u>85,123,509</u>	<u>4,593,195</u>	<u>45,544,939</u>	<u>183,901,004</u>
Excess (deficiency) of revenues over expenditures	<u>7,936,146</u>	<u>1,354,957</u>	<u>(1,907,994)</u>	<u>(4,853,278)</u>	<u>2,529,831</u>
Other financing sources (uses)					
Loan proceeds	-	-	1,125,000	-	1,125,000
Bond proceeds	-	-	-	6,367,436	6,367,436
Transfers in	-	-	4,200,000	8,567,509	12,767,509
Transfers out	(2,339,816)	-	-	(9,866,920)	(12,206,736)
Net other financing sources (uses)	<u>(2,339,816)</u>	<u>-</u>	<u>5,325,000</u>	<u>5,068,025</u>	<u>8,053,209</u>
Net change in fund balances	5,596,330	1,354,957	3,417,006	214,747	10,583,040
Fund balances, beginning	<u>28,888,447</u>	<u>(772,406)</u>	<u>(54,818,987)</u>	<u>10,572,081</u>	<u>(16,130,865)</u>
Fund balances, ending	<u>\$ 34,484,777</u>	<u>\$ 582,551</u>	<u>\$ (51,401,981)</u>	<u>\$ 10,786,828</u>	<u>\$ (5,547,825)</u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2011

Net changes in fund balances - total governmental funds \$ 10,583,040

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 cost of these 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. 2,774,902

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period. (7,281,582)

Additional investments in joint venture are expenditures in the governmental funds. However, in the Statement of Net Assets, investments in joint venture are shown as the measurable equity interest in the joint venture. (131,321)

Prepayment of PERS unfunded obligation was recorded as an expenditure in the governmental funds statements when payment was made. The prepayment is amortized over the PERS actuarial amortization period in the government-wide financial statements. (295,868)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Long-term debt issued or incurred:

Notes payable - AutoNation /Costco	\$ (1,125,000)	
Revenue bonds 2011 Series A	(6,227,391)	
Bond premium	(140,045)	
Other postemployment benefits obligation	(1,300,331)	
Debt issuance cost	139,750	
Increase in compensated absences	(291,869)	

Principal repayments:

Tax allocation bonds	750,000	
COP bonds payable	6,735,000	
SBRPCA 2007 bond	110,000	
Section 108 loans payable	475,000	
Loans payable - West Basin	5,324	
Lease payable	534,098	
Capital leases payable	2,343	
Bond discount amortization	(3,735)	
Defeasance loss amortization	(9,367)	
Bond premium amortization	42,327	
Debt issuance costs amortization	<u>(120,993)</u>	(424,889)

Accrued interest for long-term debt. This is the net change in accrued interest for the current period. (631,488)

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the Internal Service Funds is included in the Statement of Activities. (1,023,809)

Change in net assets of governmental activities \$ 3,568,985

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Airport	Sewer and Storm Drain	Total	Governmental Activities - Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 325	\$ -	\$ 325	\$ 2,972,187
Receivables				
Accounts	43,495	81,087	124,582	14,441
Notes and loans	-	-	-	-
Advances to other funds	-	-	-	310,000
Inventories	-	-	-	14,311
Total current assets	43,820	81,087	124,907	3,310,939
Noncurrent assets:				
Capital assets - net of accumulated depreciation	8,544,505	2,555,685	11,100,190	1,335,884
Total noncurrent assets	8,544,505	2,555,685	11,100,190	1,335,884
Total Assets	8,588,325	2,636,772	11,225,097	4,646,823
Liabilities				
Current liabilities:				
Accounts payable	43,525	13,577	57,102	487,507
Accrued liabilities	9,944	14,855	24,799	18,944
Unearned revenues	42,636	-	42,636	-
Deposits payable	18,172	-	18,172	-
Due to other funds	8,033	941,128	949,161	409,174
Compensated absences	19,000	-	19,000	3,165
Advances from other funds	310,000	-	310,000	-
Claims and judgments	-	-	-	560,000
Total current liabilities	451,310	969,560	1,420,870	1,478,790
Noncurrent liabilities:				
Compensated absences	86,268	-	86,268	-
Claims and judgments	-	-	-	5,150,434
Total noncurrent liabilities	86,268	-	86,268	5,150,434
Total Liabilities	537,578	969,560	1,507,138	6,629,224
Net Assets				
Invested in capital assets, net of related debt	8,544,505	2,555,685	11,100,190	1,335,884
Unrestricted	(493,758)	(888,473)	(1,382,231)	(3,318,285)
Total Net Assets	\$ 8,050,747	\$ 1,667,212	\$ 9,717,959	\$ (1,982,401)
Reconciliation of Net Assets to the Statement of Net Assets				
Net assets per Statement of Net Assets - Proprietary Funds			\$ 9,717,959	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds			(231,319)	
Current year's adjustments to reflect the consolidation of internal service activities related to enterprise funds			(30,371)	
Net assets per Statement of Net Assets			\$ 9,456,269	

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year ended June 30, 2011

	Airport	Sewer and Storm Drain	Total	Governmental Activities - Internal Service Funds
Operating revenues:				
Sales and service charges	\$ 583,228	\$ 1,246,078	\$ 1,829,306	\$ 4,667,443
Miscellaneous	<u>2,747</u>	<u>-</u>	<u>2,747</u>	<u>120,470</u>
Total operating revenues	<u>585,975</u>	<u>1,246,078</u>	<u>1,832,053</u>	<u>4,787,913</u>
Operating expenses:				
Administration and general	463,162	556,187	1,019,349	1,144,056
Materials and supplies	11,942	28,369	40,311	297,166
Contractual services	13,926	71,292	85,218	3,917,690
Cost of sales and services	34,474	71,411	105,885	-
Depreciation	<u>333,843</u>	<u>78,018</u>	<u>411,861</u>	<u>483,181</u>
Total operating expenses	<u>857,347</u>	<u>805,277</u>	<u>1,662,624</u>	<u>5,842,093</u>
Changes in net assets before transfers	(271,372)	440,801	169,429	(1,054,180)
Transfers:				
Transfer out	<u>-</u>	<u>(560,774)</u>	<u>(560,774)</u>	<u>-</u>
Changes in net assets	<u>(271,372)</u>	<u>(119,973)</u>	<u>(391,345)</u>	<u>(1,054,180)</u>
Net assets			-	
Beginning of year	<u>8,322,119</u>	<u>1,787,185</u>	<u>10,109,304</u>	<u>(928,221)</u>
End of year	<u>\$ 8,050,747</u>	<u>\$ 1,667,212</u>	<u>\$ 9,717,959</u>	<u>\$ (1,982,401)</u>
Reconciliation of changes in net assets to the Statement of Activities:				
Change in net assets per Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds			\$ (391,345)	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			(30,371)	
Change in net assets per Statement of Net Assets			<u>\$ (421,716)</u>	

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Airport	Sewer and Storm Drain	Total	Governmental Activities - Internal Service Funds
Cash flows from operating activities				
Cash received from customers and users	\$ 559,807	\$ 1,294,928	\$ 1,854,735	\$ 4,773,471
Cash paid to suppliers for goods and services	(426,545)	(637,466)	(1,064,011)	(4,130,638)
Cash paid to employees for services	(378,460)	(501,301)	(879,761)	(436,231)
Net cash provided (used) by operating activities	<u>(245,198)</u>	<u>156,161</u>	<u>(89,037)</u>	<u>206,602</u>
Cash flows from noncapital financing activities				
Cash provided to other funds	(29,276)	(560,774)	(590,050)	-
Cash received from other funds	310,000	404,613	714,613	982,998
Net cash provided (used) by noncapital financing activities	<u>280,724</u>	<u>(156,161)</u>	<u>124,563</u>	<u>982,998</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(35,201)	-	(35,201)	(382,337)
Net cash provided (used) by capital and related financing activities	<u>(35,201)</u>	<u>-</u>	<u>(35,201)</u>	<u>(382,337)</u>
Cash flows from investing activities				
Interest received	-	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	325	-	325	807,263
Cash and cash equivalents, beginning of year	-	-	-	2,164,924
Cash and cash equivalents, end of year	<u>\$ 325</u>	<u>\$ -</u>	<u>\$ 325</u>	<u>\$ 2,972,187</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Cash flows from operating activities				
Operating income (loss)	\$ (271,372)	\$ 440,801	\$ 169,429	\$ (1,054,180)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	333,843	78,018	411,861	483,181
Decrease (increase) in accounts receivable	(30,307)	48,850	18,543	(14,442)
Increase (decrease) in accounts payable	(277,938)	(413,560)	(691,498)	(32,822)
Increase (decrease) in deposits payable	4,139	-	4,139	-
Increase (decrease) in claims and judgments	-	-	-	827,199
Increase (decrease) in accrued liabilities and compensated absences	(3,563)	2,052	(1,511)	(2,334)
Net cash provided (used) by operating activities	<u>\$ (245,198)</u>	<u>\$ 156,161</u>	<u>\$ (89,037)</u>	<u>\$ 206,602</u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Fiduciary Assets and Liabilities
June 30, 2011

Assets

Cash and Investments	\$	4,081,499
Receivables		
Taxes		10,165
Accounts		26,344
Interest		1,324
Restricted Assets		
Cash and investments with fiscal agents		<u>7,395,437</u>
Total Assets	\$	<u><u>11,514,769</u></u>

Liabilities

Accounts payable	\$	86,611
Deposits payable		564,429
Accrued liabilities		621,000
Due to bondholders		<u>10,242,729</u>
Total Liabilities	\$	<u><u>11,514,769</u></u>

See notes to financial statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of 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 generally accepted accounting principles, these financial statements present the financial activities of 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 units balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's 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 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.

**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. See also Note 13.

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, composed 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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in activities) 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.

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The City's fiduciary fund financial statements only report agency funds. Agency funds are used to account for situations where the government's role is purely custodial. All

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 City has elected not to follow subsequent private-sector guidance.

The City reports the following major governmental funds:

- The General Fund is the City'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 Grants 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 City reports the following major proprietary funds:

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

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 organizations or other governments who have made special deposits with the City for various purposes.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires City management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance Reporting

During the fiscal year ended June 30, 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. This Statement establishes the following fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds:

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City's nonspendable fund balance represents prepaid expenses and long-term advances to other funds.

Restricted fund balance includes resources that are subject to externally enforceable legal restrictions. It includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The City's restricted fund balances represent resources restricted for programs funded by grants and other restricted sources, capital projects, debt service and the low/moderate income housing program, and more.

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City does not have committed fund balance as of June 30, 2011.

Assigned fund balance consists of funds that are set aside for specific purposes by the Commission's highest level of decision making authority or a body or official that has been given the authority to assign funds. The City does not have assigned fund balance as of June 30, 2011.

Unassigned fund balance is the residual classification for the City's fund balance and includes all spendable amounts not contained in the other classifications. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken. Committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment.

The City Council delegates the authority to assign fund balance to the City Manager for purposes of reporting in the annual financial statements.

The City considers the restricted fund balances to have been spent when expenditure is incurred for purposes for which both unrestricted and restricted fund balance is available. The City considers unrestricted fund balances to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts.

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.

**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, 2011. 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). 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 nonspendable 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 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 nonspendable 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 classified as nonspendable 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.

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets 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 if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported its general infrastructure assets which include streets, sidewalks, storm drains, curbs and gutters, handicap ramps 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.

The provision for depreciation of capital assets of the primary government, as well as its component units, is computed using the straight-line method over the following estimated useful lives:

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

Claims and Judgments

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

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Employee Compensated Absences

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

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

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

Property Tax Revenue

Property tax revenue is recognized 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.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 department 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.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles.

Deficit in Fund Equity

The following funds have deficits in fund balance or retained earnings at June 30, 2011:

Major governmental funds:

Community Redevelopment Agency - Capital Projects	\$ (51,401,981)
---	----------------------

Nonmajor governmental funds:

Special Revenue Funds:

Street Lighting	(371,523)
Street	(356,727)
California Office of Traffic Safety	(73,530)
Local Law Enforcement Block Grant	(35,515)
Proposition A	(880,248)
Proposition C	(163,437)
Community Development Block Grant	(485,807)
HOME Grant	(200,197)
ABC Grant Assistance Program	(6,232)
HPRP Funds	(205,272)

Internal Service Funds:

Insurance Reserve	(6,503,497)
-------------------	-------------

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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:			
City manager	\$ 406,225	\$ 371,676	\$ 34,549
Licensing and code enforcement	138,533	87,713	50,820
Fire services contract	8,776,594	8,405,000	371,594
Building and safety	1,368,976	1,368,388	588
Nonmajor Governmental Funds:			
Special Revenue:			
Street Lighting:			
Public Works	736,798	698,384	38,414
Asset Forfeiture:			
Public Safety	592,787	454,634	138,153
California Office of Traffic Safety:			
Public Safety	63,728	2,415	61,313
Proposition C:			
Public Works	1,165,102	1,004,566	160,536
Air Quality:			
Community Development	102,854	5,800	97,054
Community Development Block Grant:			
Community Development	1,156,057	1,102,130	53,927
ABC Grant Assistance Program:			
Public Safety	712	-	712
Debt Service:			
CIEDB Police Facility Lease Obligation:			
General Government	52,423	52,420	3

NOTE 3 CASH AND INVESTMENTS

As of June 30, 2011, cash and investments were reported in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 27,652,142
Cash and investments with fiscal agents	2,198,527
Statement of Fiduciary Assets and Liabilities	
Cash and investments	4,081,499
Cash and investments with fiscal agents	7,395,437
Total cash and investments	<u>\$ 41,327,605</u>

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments at June 30, 2011, consisted of the following:

Cash on hand	\$ 4,836
Deposits with financial institutions	15,818,700
Investments	25,504,069
Total cash and investments	<u>\$ 41,327,605</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, 2011, the carrying amount of the City's deposits was \$15,818,700 and the bank balance was \$18,618,882. The \$2,800,182 difference represents outstanding checks, deposits in transit and other reconciling items.

The California Government Code requires California financial institutions 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. 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 financial institution 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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

<u>Authorized Investment Type</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	No	N/A	N/A	N/A
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	30%	30%
Commercial Paper	Yes	270 days	15%	10%
Certificates of Deposit	Yes	5 years	30%	None
Medium-Term Notes	No	N/A	N/A	N/A
Mutual Funds	No	N/A	15%	N/A
Money Market Mutual Funds	Yes	N/A	15%	10%
Local Agency Investment Fund	Yes	N/A	None	\$40 million per account

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 portion 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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The City's investment policy limits investments in commercial paper to those rated "A-1" or higher by Standard and Poor's (S&P) or by Moody's. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by the City's Investment Policy and the actual rating as of June 30, 2011:

Investment Type	Amount	Minimum Legal Rating	AAA	AA+	AA-	A+	A-	Not Rated
State investment pool	\$ 14,702,438	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,702,438
Federal agency securities	1,004,964	AAA	1,004,964	-	-	-	-	-
Certificates of deposits	202,701	N/A	-	-	-	-	-	202,701
Held by fiscal agent:								
Money market funds	4,213,494	N/A				-	-	4,213,494
Investment agreements	1,708,472	N/A	-	-	-	-	-	1,708,472
Certificates of deposits	3,672,000	N/A	-	-	-	-	-	3,672,000
Total	<u>\$ 25,504,069</u>		<u>\$ 1,004,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,499,105</u>

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. As of June 30, 2011, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions on the percentage that the City can invest in certain types of investments. In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2011, the City's fiscal agent has invested \$3,672,000 (14%) in Certificates of Deposit. 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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2011, the City had the following investments and original maturities:

Investment Type	Total	Remaining maturity in Months		
		12 Months Or Less	13 to 24 Months	25-60 Months
State investment pool	\$ 14,702,438	\$ 14,702,438	\$ -	\$ -
Federal agency securities	1,004,964	-	-	1,004,964
Certificates of deposits	202,701	-	202,701	-
Held by fiscal agent:				
Money market funds	4,213,494	4,213,494	-	-
Investment agreements	1,708,472	276,000	-	1,432,472
Certificates of deposits	3,672,000	2,292,000	1,380,000	-
	<u>\$ 25,504,069</u>	<u>\$ 21,483,932</u>	<u>\$ 1,582,701</u>	<u>\$ 2,437,436</u>

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

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 follows:

	Beginning Balance, July 1, 2010	Additions	Deletions/ Transfers	Ending Balance, June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,748,529	\$ -	\$ -	\$ 7,748,529
Construction in progress	858,321	191,953	-	1,050,274
Total capital assets not being depreciated	<u>8,606,850</u>	<u>191,953</u>	<u>-</u>	<u>8,798,803</u>
Capital assets being depreciated:				
Structures and improvements	55,796,240	951,372	-	56,747,612
Machinery and equipment				
City	17,053,218	559,683	-	17,612,901
Equipment replacement	6,142,000	382,337	(192,730)	6,331,607
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	103,326,397	5,682,652	-	109,009,049
Total capital assets being depreciated	<u>198,677,409</u>	<u>7,576,044</u>	<u>(192,730)</u>	<u>206,060,723</u>
Less accumulated depreciation for:				
Structures and improvements	(16,237,753)	(1,722,154)	-	(17,959,907)
Machinery and equipment				
City	(16,781,722)	(262,193)	-	(17,043,915)
Equipment replacement	(4,705,272)	(483,181)	192,730	(4,995,723)
Parking Authority - structures	(13,312,040)	(408,989)	-	(13,721,029)
Infrastructure	(37,762,363)	(2,217,422)	-	(39,979,785)
Total accumulated depreciation	<u>(88,799,150)</u>	<u>(5,093,939)</u>	<u>192,730</u>	<u>(93,700,359)</u>
Capital assets being depreciated, net	<u>109,878,259</u>	<u>2,482,105</u>	<u>-</u>	<u>112,360,364</u>
Governmental activities				
Capital assets, net	<u>\$ 118,485,109</u>	<u>\$ 2,674,058</u>	<u>\$ -</u>	<u>\$ 121,159,167</u>

City of Hawthorne
Notes to Financial Statements
Year ended June 30, 2011

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Beginning Balance, July 1, 2010	Additions	Deletions/ Transfers	Ending Balance, June 30, 2011
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 37,314	\$ -	\$ -	\$ 37,314
Total capital assets not being depreciated	<u>37,314</u>	<u>-</u>	<u>-</u>	<u>37,314</u>
Capital assets being depreciated:				
Structures and improvements	1,727,903	29,820	-	1,757,723
Machinery and equipment	22,750	5,380	-	28,130
Infrastructure				0
Airport	10,723,022	-	-	10,723,022
Storm and sewer drain	12,925,770	-	-	12,925,770
Total capital assets being depreciated	<u>25,399,445</u>	<u>35,201</u>	<u>-</u>	<u>25,434,645</u>
Less accumulated depreciation for:				
Structures and improvements	(1,354,517)	(64,095)	-	(1,418,612)
Machinery and equipment	(21,557)	(1,672)	-	(23,229)
Infrastructure				0
Airport	(2,291,768)	(268,075)	-	(2,559,843)
Storm and sewer drain	(10,292,067)	(78,018)	-	(10,370,085)
Total accumulated depreciation	<u>(13,959,909)</u>	<u>(411,860)</u>	<u>-</u>	<u>(14,371,769)</u>
Capital assets being depreciated, net	<u>11,439,536</u>	<u>(376,659)</u>	<u>-</u>	<u>11,062,876</u>
Business-type activities				
Capital assets, net	\$ <u>11,476,850</u>	\$ <u>(376,659)</u>	\$ <u>-</u>	\$ <u>11,100,190</u>

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

Governmental activities:

	Amount
General government	\$ 622,053
Public safety	1,281,725
Public works	2,457,893
Community development	72,124
Parks and recreation	176,963
Internal service fund - equipment replacement	483,181
Total depreciation expense - governmental activities	<u>\$ 5,093,939</u>

Business-type activities:

Airport	\$ 333,842
Sewer and storm drain	78,018
	<u>\$ 411,860</u>

NOTE 5 INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2011, is as follows:

Due To/From Other Funds

Due From Other Funds:	Due To Other Funds			
	Nonmajor Governmental Funds	Airport	Sewer and Storm Drain	Total
General Fund	\$ 7,290,420	\$ 8,033	\$ 941,128	\$ 8,239,581
Community Redevelopment Agency Capital Projects Fund	3,300,000	-	-	3,300,000
	<u>\$ 10,590,420</u>	<u>\$ 8,033</u>	<u>\$ 941,128</u>	<u>\$ 11,539,581</u>

The due from other funds in the General Fund of \$8,314,974 and due to other funds in the Airport Fund, nonmajor enterprise fund and other governmental funds were to cover temporary deficit cash balances.

Advances To/From Other Funds

Advances from other funds	Advances to other funds General Fund
Capital Projects - Community Redevelopment Agency	\$ <u>55,282,026</u>

During the current and previous fiscal years, the City of Hawthorne has made loans to the Community Redevelopment Agency to cover the cost of operations. These loans bear interest at LAIF rates. As of June 30, 2011, the outstanding balance of the loans including accrued interest of \$35,150,729 amounted to \$55,282,026. Below is a table of debt service requirements to maturity for the advances:

Year Ending June 30,	Project Area 1	Project Area 2	Total
2012	\$ 300,000	\$ 3,000,000	\$ 3,300,000
2013	300,000	3,000,000	3,300,000
2014	300,000	3,000,000	3,300,000
2015	300,000	3,000,000	3,300,000
2016	300,000	3,000,000	3,300,000
2017-2021	1,500,000	15,000,000	16,500,000
2022-2026	1,500,000	15,000,000	16,500,000
2026-2030	578,203	5,203,823	5,782,026
Total	<u>\$ 5,078,203</u>	<u>\$ 50,203,823</u>	<u>\$ 55,282,026</u>

NOTE 5 INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS (CONTINUED)

The above table shows the debt service requirements for the total outstanding balance of the advances which include the principal and interest accrued as of June 30, 2011.

Interfund Transfers

Transfers In:	Tranfers Out			Total
	General Fund	Nonmajor Governmental Funds	Sewer and Storm Drain	
Capital Projects - Community Redevelopment Agency	\$ -	\$ 4,200,000	\$ -	\$ 4,200,000
Nonmajor Governmental Funds	2,339,816	5,666,919	560,774	8,567,509
	<u>\$ 2,339,816</u>	<u>\$ 9,866,919</u>	<u>\$ 560,774</u>	<u>\$ 12,767,509</u>

The transfer in of \$4,200,000 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 from the general fund to nonmajor funds of \$2,339,816 was for debt service on the 1997 COP bonds in the amount of \$421,416, for debt service on the loan to build the police facility in the amount of \$1,285,000, and for debt service on the 2006 SBRPCA bonds in the amount of \$633,400.

The transfers between nonmajor governmental funds were to fund eligible projects and programs in the Street Fund and fund the debt service payments for the Community Redevelopment Agency bonds.

The transfer from the Sewer and Storm Drain enterprise fund was to fund expenses for sewer repairs and street maintenance.

City of Hawthorne
Notes to Financial Statements
Year ended June 30, 2011

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, 2011:

	Balance at July 1, 2010	Additions	Retirements	Balance at June 30, 2011	Amount due within one year
Governmental Funds:					
City:					
Compensated absences	\$ 6,874,847	\$ 1,755,124	\$ 1,463,256	\$ 7,166,715	\$ 1,400,000
Other postemployment benefits obligation	3,042,466	3,211,006	1,910,675	4,342,797	-
Capital leases payable	2,343	-	2,343	-	-
Certificates of Participation	6,735,000	-	6,735,000	-	-
Revenue bonds - 2011 Series A	-	6,227,391	-	6,227,391	454,938
Lease payable - police facility	17,206,554	-	534,098	16,672,456	555,836
Loan payable - West Basin	83,571	-	5,324	78,247	5,597
Section 108 loan payable	5,675,000	-	475,000	5,200,000	475,000
SBRPCA 2007 Series B Bond	3,630,000	-	110,000	3,520,000	115,000
2005 Pension Obligation Bonds	25,330,000	-	-	25,330,000	1,535,000
Total City	68,579,781	11,193,521	11,235,696	68,537,606	4,541,371
Internal Service Funds:					
Claims and judgments	4,883,235	1,387,200	560,000	5,710,435	560,000
Compensated absences	7,310	32,560	36,705	3,165	-
Total Internal Service Funds	4,890,545	1,419,760	596,705	5,713,600	560,000
Redevelopment Agency:					
Tax allocation refunding bonds	43,495,000	-	750,000	42,745,000	1,380,000
Notes payable	23,428,438	1,125,000	-	24,553,438	-
Total Redevelopment	66,923,438	1,125,000	750,000	67,298,438	1,380,000
Total Governmental long-term obligations	\$ 140,393,764	\$ 13,738,281	\$ 12,582,401	141,549,644	\$ 6,481,371
Less:					
Net unamortized bond discount				(84,489)	
Net unamortized bond premium				867,237	
Net unamortized bond defeasance loss				(121,767)	
Total governmental funds long-term debt				\$ 142,210,625	
Business-Type Funds:					
Compensated absences	\$ 108,861	\$ 15,573	\$ 19,166	\$ 105,268	\$ 19,000

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 years by the general fund, and for business-type activities, the liability will be paid by the Airport Fund.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Other Postemployment Benefits Obligation

The City's policies relating to other post employment benefits are described in Note 8 of the Notes to Financial Statements. The liability will be paid in future years by the general fund.

2011 Series A Revenue Bonds

In March 2011, the Hawthorne Public Financing Authority issued 2011 Series A Revenue Bonds in the amount \$6,227,391 with an interest rate of 4.265% per annum, maturing on July 1, 2022. The proceeds of the bonds were used to refinance the 1997 Capital Improvement Program by acquiring in lieu of redemption outstanding 1997 Certificates of Participation. This transaction defeased the outstanding 1997 Certificates of Participation of \$6,735,000. Following is the debt service requirements to maturity:

Year Ending June 30,	2011 A Revenue Bonds	
	Principal	Interest
2012	\$ -	\$ 271,769
2013	454,939	263,874
2014	478,400	254,627
2015	495,939	244,225
2016	518,184	232,416
2017-2021	2,925,799	931,618
2022-2026	1,354,130	179,176
Total	\$ <u>6,227,391</u>	\$ <u>2,377,705</u>

NOTE 6 LONG-TERM DEBT (CONTINUED)

Lease Payable – Police Facility

The City completed building its 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 were 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:

Year Ending June 30,	Lease Payable Police Facility	
	Principal	Interest
2012	\$ 555,836	\$ 667,258
2013	578,458	644,175
2014	602,002	620,152
2015	626,503	595,152
2016	652,002	569,135
2017-2021	3,677,326	2,416,803
2022-2026	4,495,769	1,587,827
2027-2031	5,484,560	575,852
Total	<u>\$ 16,672,456</u>	<u>\$ 7,676,354</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 of 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, 2011 was \$78,247. The total debt service requirements as of June 30, 2011, are as follows:

NOTE 6 LONG-TERM DEBT (CONTINUED)

Year Ending June 30,	Loan Payable West Basin	
	Principal	Interest
2012	\$ 5,597	\$ 3,883
2013	5,883	3,597
2014	6,183	3,297
2015	6,500	2,980
2016	6,834	2,646
2017-2021	39,792	7,620
2022-2026	7,458	214
Total	<u>\$ 78,247</u>	<u>\$ 24,237</u>

Section 108 Loan

Section 108 Loan of \$7,800,000 was advanced to the City for commercial rehabilitation on CDBG projects. The loan is 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 requirements as of June 30, 2011, are as follows:

Year Ending June 30,	Section 108 Loan	
	Principal	Interest
2012	\$ 475,000	\$ 274,666
2013	485,000	251,240
2014	355,000	230,187
2015	355,000	211,958
2016	355,000	193,232
2017-2021	1,775,000	670,194
2022-2026	1,400,000	165,394
Total	<u>\$ 5,200,000</u>	<u>\$ 1,996,871</u>

NOTE 6 LONG-TERM DEBT (CONTINUED)

South Bay Regional Public Communications Authority Refunding Revenue Bonds 2007 Series B Bonds

In 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 requirements are as follows:

Year Ending June 30,	SBRPCA 2007 B Refunding Revenue Bonds	
	Principal	Interest
2012	\$ 115,000	\$ 157,883
2013	120,000	153,283
2014	125,000	148,483
2015	130,000	143,483
2016	135,000	138,120
2017-2021	760,000	601,216
2022-2026	950,000	416,218
2027-2031	1,185,000	174,325
Total	<u>\$ 3,520,000</u>	<u>\$ 1,933,011</u>

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.

NOTE 6 LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to amortize the 2005 Pension Obligation Bonds outstanding as of June 30, 2011, are as follows:

Year Ending June 30,	2005 Pension Obligation Bonds	
	Principal	Interest
2012	\$ 1,535,000	\$ 1,271,059
2013	1,720,000	1,194,033
2014	1,920,000	1,107,724
2015	2,125,000	1,011,378
2016	2,350,000	904,745
2017-2021	15,680,000	2,501,724
Total	<u>\$ 25,330,000</u>	<u>\$ 7,990,663</u>

Tax Allocation Bonds

1998 Tax Allocation Refunding Bonds

The 1998 Tax Allocation Refunding Bonds which were issued by the Community Redevelopment Agency of the City of Hawthorne 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, 2011, amounted to \$6,965,000. The total debt service requirements as of June 30, 2011, are as follows:

Year Ending June 30,	1998 Tax Allocation Refunding Bonds	
	Principal	Interest
2012	\$ 355,000	\$ 339,375
2013	365,000	321,375
2014	390,000	302,500
2015	410,000	282,500
2016	430,000	261,500
2017-2021	2,500,000	953,250
2022-2026	2,515,000	258,875
Total	<u>\$ 6,965,000</u>	<u>\$ 2,719,375</u>

NOTE 6 LONG-TERM DEBT (CONTINUED)

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, 2011, amounted to \$3,110,000.

The total debt service payment requirements as of June 30, 2011, are as follows :

Year Ending June 30,	2001 Tax Allocation Refunding Bonds	
	Principal	Interest
2012	\$ 230,000	\$ 202,031
2013	245,000	187,188
2014	260,000	171,406
2015	275,000	153,828
2016	295,000	134,234
2017-2021	1,805,000	326,735
Total	<u>\$ 3,110,000</u>	<u>\$ 1,175,422</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, 2011, amounted to \$3,585,000. The total debt service requirements as of June 30, 2011, are as follows:

NOTE 6 LONG-TERM DEBT (CONTINUED)

2004 Tax Allocation Refunding Bonds

Year Ending June 30,	2004 Tax Allocation Refunding Bonds	
	Principal	Interest
2012	\$ 200,000	\$ 144,019
2013	210,000	136,739
2014	215,000	129,196
2015	225,000	121,271
2016	230,000	112,653
2017-2021	1,285,000	416,058
2022-2026	<u>1,220,000</u>	<u>113,625</u>
Total	\$ <u>3,585,000</u>	\$ <u>1,173,561</u>

2006 Tax Allocation Bonds

In July 2006, the Agency issued Project Area No. 2 Tax Allocations Bonds, Series 2006 in the amount of \$29,085,000. The proceeds of the Bonds were used to (a) provide funds to prepay the Public Funding Requirement of the Agency under the Owner Participation Agreement (OPA) dated September 26, 2003, and as amended by the Second Implementation Agreement as of July 11, 2006, with SAMS Venture, LLC, (b) provide for capitalized interest on the Bonds for a limited period of time, (c) obtain a Reserve Account Surety Bond, and (d) pay the costs of issuing the Bonds. The Bonds are payable from and secured by tax increment revenues arising from Project Area No 2 on a parity basis with the 1998 Bonds and the 2004 Bonds.

The bonds consist of \$3,950,000 serial bonds with annual maturity dates from September 1, 2011 through September 1, 2016, bearing interest ranging from 4.0% to 4.125%; \$9,485,000 term bonds bearing interest of 5.0% and maturing September 1, 2026; and \$15,650,000 term bonds bearing interest of 5.25% and maturing September 1, 2036. The balance at June 30, 2011, amounted to \$29,085,000. The total debt service payment requirements as of June 30, 2011, are as follows:

NOTE 6 LONG-TERM DEBT (CONTINUED)

Year Ending June 30,	2006 Tax Allocation Bonds	
	Principal	Interest
2012	\$ 595,000	\$ 1,442,881
2013	620,000	1,418,581
2014	645,000	1,393,281
2015	670,000	1,366,981
2016	695,000	1,339,681
2017-2021	3,975,000	6,179,328
2022-2026	5,065,000	5,058,500
2027-2031	6,490,000	3,596,625
2032-2036	8,380,000	1,656,375
2037-2041	1,950,000	51,187
Total	\$ <u>29,085,000</u>	\$ <u>23,503,420</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 \$71,316,778 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 \$8,783,274 and the debt service obligation on the bonds was \$3,508,306.

Notes Payable

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 is to be funded by Mello-Roos taxes, sales taxes and transient occupancy taxes to the extent these taxes are generated within the project site. The balance at June 30, 2011, amounted to \$24,553,438 including accrued interest of \$12,053,438.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Claims and Judgments

As of June 30, 2011, 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, 2011, total estimated claims payable were \$5,710,435.

NOTE 7 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 certain capital costs 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. These bonds have been subsequently refunded. By the issuance of 2010 Special Tax Refunding Bonds in the amount of \$13,180,000. As of June 30, 2011, the bonds outstanding from these Community Facility Districts totaled \$13,180,000.

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, 2011, the bonds outstanding from this Community Facility District totaled \$3,680,000.

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, 2011, the bonds outstanding from this Community Facility District totaled \$14,205,000.

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, the 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.

NOTE 7 NON-CITY OBLIGATION DEBT - SPECIAL ASSESSMENT BONDS (CONTINUED)

Special Tax Refunding Bonds

On August 16, 1995, the Parking Authority issued on behalf of Community Facilities District No. 1 \$10,105,000 Special Tax Refunding Bonds to advance refund the Authority's \$2,025,000 outstanding Lease Revenue Bonds, Series A, and its \$8,080,000 outstanding Refunding Lease Revenue Bonds, Series 1977. The net proceeds of \$9,801,850 plus an additional \$1,400,000 contributed from property owners and \$37,646 of Series A and Series 1977 Lease Revenue Bond sinking fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series A and Series 1977 Lease Revenue Bonds. As a result, the Series A and Series 1977 Lease Revenue Bonds are considered to be defeased and the liabilities for those bonds have been removed from long-term debt. As of June 30, 2011, the Special Tax Refunding Bonds outstanding totaled \$6,020,000.

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 Community Facilities District and from the proceeds, if any, from the sale of such property for delinquency of such special rates. The City treasurer acts as an agent for the collection of principal and interest payments by the property owners and remittance of such monies to the bond holders.

NOTE 8 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 its 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 12.915% for miscellaneous employees and 19.790% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

NOTE 8 RETIREMENT PLANS (CONTINUED)

Annual Pension Cost

The City annual pension cost and change in net pension asset for fiscal year ending June 30, 2011, were as follows:

Annual Required Contribution	\$ 5,846,035
Interest on net pension asset	(1,924,195)
Adjustment to Annual Required Contribution	<u>2,220,063</u>
Annual pension cost	6,141,903
Annual contributions made	<u>5,846,035</u>
Increase (decrease) in net pension asset	(295,868)
Net pension asset, beginning of year	<u>24,828,322</u>
Net pension asset, end of year	<u><u>\$ 24,532,454</u></u>

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

Valuation Date	June 30, 2010
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 Increase	3.55% 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%.

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.

NOTE 8 RETIREMENT PLANS (CONTINUED)

Three-Year Trend Information for PERS			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2009	\$ 6,450,000	95.7%	\$ (25,127,759)
6/30/2010	6,200,000	95.2%	(24,828,322)
6/30/2011	6,100,000	95.2%	(24,532,454)

For fiscal year 2010-2011, 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 POSTEMPLOYMENT EMPLOYEE BENEFITS

Plan Description

The City provides certain postemployment 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.

NOTE 9 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (CONTINUED)

The following is a description of the eligibility requirements, the term of the benefits, and the postemployment health benefits available to eligible employees:

General

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

Fire

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

Police

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

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.

NOTE 9 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (CONTINUED)

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 2010-2011, 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 postemployment health insurance on a pay-as-you-go basis. For fiscal year 2010-2011, the City contributed \$1,910,675 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.

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	\$ 3,194,728
Interest on Net OPEB Obligation	152,123
Adjustments to Annual Required Contribution	<u>(135,845)</u>
Annual OPEB Cost	3,211,006
Annual Contribution Made	<u>1,910,675</u>
Increase (decrease) in Net OPEB Obligation	1,300,331
Net OPEB Obligation, beginning of year	<u>3,042,466</u>
Net OPEB Obligation, end of year	<u><u>\$ 4,342,797</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2010-2011 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution (Net of adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 3,194,728	\$ 1,668,267	52.20%	\$ 1,526,461
6/30/2010	3,157,101	1,641,096	52.00%	3,042,466
6/30/2011	3,211,006	1,910,675	59.50%	4,342,797

NOTE 9 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (CONTINUED)

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 employee 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 which is presented in the Required Supplementary Information Section 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 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.

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 2009-2010 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

NOTE 10 INSURANCE (CONTINUED)

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 \$5,710,935 reported in the fund at June 30, 2011, 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 2011 and 2010, were as follows:

Fiscal Year	Beginning Balance	Changes in Estimates	Claims Payments	Ending Balance
2009-2010	\$ 6,025,863	\$ 215,857	\$ (1,358,485)	4,883,235
2010-2011	4,883,235	1,387,700	(560,000)	5,710,935

NOTE 11 COMMITMENT AND CONTINGENCIES

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

Developer Agreements

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

Oceangate Development

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

NOTE 11 COMMITMENT AND CONTINGENCIES (CONTINUED)

On July 23, 2001, the Redevelopment Agency of the City of Hawthorne approved the Sixth Implementation Agreement to the Owner Participation Agreement with Oceangate Properties, Inc. With the approval of this agreement and the subsequent Developer Disposition Agreement, the area of land that formerly occupied the Mattel buildings is now developed into a car dealership(s) along with ancillary service facilities.

Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates 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.

NOTE 12 JOINT VENTURES

South Bay Regional Public Communications Authority (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 2010-2011, the City was assessed \$2,829,084, 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.

NOTE 12 JOINT VENTURE (CONTINUED)

As of and for the year ended June 30, 2011, SBRPCA's audited financial information is as follows:

South Bay Regional Public Communication Authority

Net Assets:

Total assets	\$ 11,517,906
Total liabilities	1,213,105
Total net assets	<u>\$ 10,304,801</u>

South Bay Regional Public Communication Authority

Changes in net assets:

Operating revenues	\$ 8,112,163
Operating expenses	<u>9,075,856</u>
Operating income (loss)	(963,693)

Nonoperating revenues (expenses)	9,509
Capital contributions -SHSG	<u>68,264</u>
Change in net assets	(885,920)

Beginning net assets	<u>11,190,721</u>
Ending net assets	<u>\$ 10,304,801</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, came 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. For program management purposes, SBWIB is considered a department of the City of Hawthorne. Federal, state and local grants received through the City of Hawthorne 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 STATUS OF HAWTHORNE COMMUNITY REDEVELOPMENT AGENCY

On December 29, 2011, the Supreme Court filed its opinion ruling that Assembly Bill (AB) X1 26 is constitutional and valid and that AB X1 27 is unconstitutional and invalid. Consequently, all redevelopment agencies were dissolved on February 1, 2012 in accordance with that bill. The City of Hawthorne assumed the role as the successor agency that is responsible for all the remaining obligations of the dissolved Agency.

NOTE 14 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2011, that have effective dates that may impact future financial presentations.

GASB No. 60 GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Statement 60 addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

GASB No. 61 GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

GASB No. 62 GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements in this Statement are effective for financial statements for periods beginning after December 15, 2011.

GASB No. 63 GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

**NOTE 15 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)
PRONOUNCEMENTS (CONTINUED)**

GASB No. 64 GASB has issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011.

NOTE 16 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 30, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements other than the following:

The Community Redevelopment Agency of the City of Hawthorne's Tax Allocation Bonds Series 1998, 2004 and 2006 were insured, at issuance, by MBIA Insurance Corporation, currently named National Public Finance Guarantee Corporation (NPFGC). On December 19, 2011, Moody's Service Investors downgraded NPFGC's financial strength rating from "BAA1" to "Baa2." The outlook on the rating is negative.

REQUIRED SUPPLEMENTARY INFORMATION

City of Hawthorne
Budgetary Comparison by Department
General Fund
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 39,423,144	\$ 39,703,144	\$ 41,095,874	\$ 1,392,730
Licenses and permits	1,371,500	1,500,000	1,661,731	161,731
Intergovernmental	597,000	3,206,084	2,945,368	(260,716)
Charges for services	1,993,450	1,733,950	1,590,885	(143,065)
Fines and forfeitures	2,325,000	2,550,000	2,420,735	(129,265)
Use of money and property	575,000	575,000	4,316,549	3,741,549
Contributions	4,309,286	2,368,000	2,349,180	(18,820)
Miscellaneous	318,500	218,500	195,185	(23,315)
Total Revenues	<u>50,912,880</u>	<u>51,854,678</u>	<u>56,575,507</u>	<u>4,720,829</u>
Expenditures				
Current:				
General government				
Mayor and city council	3,182,443	3,086,522	2,987,617	98,905
City clerk	70,749	90,249	70,655	19,594
City manager	371,676	371,676	406,225	(34,549)
City treasurer	11,242	11,242	10,422	820
City attorney	204,990	207,190	174,447	32,743
Administrative services	1,158,497	1,264,623	1,201,649	62,974
Licensing and code enforcement	74,913	87,713	138,533	(50,820)
Public safety				
Police	30,142,168	27,553,665	27,124,345	429,320
Fire services contract	8,405,000	8,405,000	8,776,594	(371,594)
Community development				
Planning	356,179	370,029	339,158	30,871
Building and safety	1,418,743	1,368,388	1,368,976	(588)
Parks and recreation	1,494,271	1,493,771	1,412,709	81,062
Public works	4,529,326	4,605,461	4,432,357	173,104
Capital outlay	-	178,956	181,491	(2,535)
Debt Service:				
Interest & Fiscal Charges	-	-	14,183	(14,183)
Total Expenditures	<u>51,420,197</u>	<u>49,094,485</u>	<u>48,639,361</u>	<u>455,124</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(507,317)</u>	<u>2,760,193</u>	<u>7,936,146</u>	<u>5,175,953</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	<u>(2,295,000)</u>	<u>(2,036,000)</u>	<u>(2,339,816)</u>	<u>303,816</u>
Total Other Financing Sources (Uses)	<u>(2,036,000)</u>	<u>(2,036,000)</u>	<u>(2,339,816)</u>	<u>(303,816)</u>
Net Change in Fund Balance	(2,543,317)	724,193	5,596,330	4,872,137
Fund Balances, Beginning	<u>28,888,447</u>	<u>28,888,447</u>	<u>28,888,447</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 26,345,130</u>	<u>\$ 29,612,640</u>	<u>\$ 34,484,777</u>	<u>\$ 4,872,137</u>

**City of Hawthorne
Budgetary Comparison
South Bay Workforce Investment Board
Year ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 128,574,257	\$ 137,878,910	\$ 86,478,466	\$ (51,400,444)
Total Revenues	<u>128,574,257</u>	<u>137,878,910</u>	<u>86,478,466</u>	<u>(51,400,444)</u>
Expenditures				
Current:				
Community Development	128,378,687	134,182,290	85,058,454	49,123,836
Capital Outlay	<u>-</u>	<u>189,050</u>	<u>65,055</u>	<u>123,995</u>
Total Expenditures	<u>128,378,687</u>	<u>134,371,340</u>	<u>85,123,509</u>	<u>49,247,831</u>
Excess (Deficiency) of Revenues over Expenditures	195,570	3,507,570	1,354,957	(2,152,613)
Fund Balances, Beginning	<u>(772,406)</u>	<u>(772,406)</u>	<u>(772,406)</u>	<u>-</u>
Fund Balances, Ending	\$ <u>(576,836)</u>	\$ <u>2,735,164</u>	\$ <u>582,551</u>	\$ <u>(2,152,613)</u>

City of Hawthorne
Schedule of funding Progress
June 30, 2011

PERS - Safety Plan

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll*
6/30/2008	\$ 8,700,467,733	\$ 7,464,927,716	\$ 1,235,540,017	85.8%	\$ 914,840,596	135.1%
6/30/2009	9,721,673,347	8,027,158,724	1,694,514,623	82.6%	973,814,168	174.0%
6/30/2010	10,165,475,166	8,470,235,152	1,695,240,014	83.3%	955,980,815	177.3%

Note: Above schedule is the funded status of the risk pool.

PERS - Miscellaneous Plan

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll*
6/30/2008	\$ 128,634,998	\$ 121,191,217	\$ 7,443,781	94.2%	\$ 17,116,820	43.5%
6/30/2009	138,491,549	125,135,383	13,356,166	90.4%	16,111,433	82.9%
6/30/2010	142,217,142	129,231,181	12,985,961	90.9%	16,122,132	80.5%

*UAAL refers to unfunded actuarial accrued liability.

OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (c)/(b-a)
3/1/2009	\$ -	\$ 44,113,659	\$ (44,113,659)	0.0%	\$ 21,379,856	206.33%

Note: The latest available actuarial report for OPEB was dated March 1, 2009 and was applicable for the fiscal year 2009-2010 and 2010-2011. The actuarial valuation report as of June 30, 2011 is not yet available.

SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

Special Revenue							
	Street Lighting	Gas Tax	Street	Asset Forfeiture	COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant
Assets							
Cash and investments	\$ -	\$ 583,380	\$ -	\$ 121,165	\$ 5,222	\$ -	\$ 265,989
Cash with Fiscal Agent	-	-	-	-	-	-	-
Receivables:							
Accounts	-	263,202	36,170	12,197	-	-	39,857
Taxes	24,308	-	8,155	-	30,964	-	-
Notes and loans	-	-	-	-	-	-	-
Accrued interest	-	730	-	41	5	-	109
Due from Other Funds	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Total Assets	\$ 24,308	\$ 847,312	\$ 44,325	\$ 133,403	\$ 36,191	\$ -	\$ 305,955
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 89,750	\$ 39,878	\$ 94,130	\$ 32,476	\$ -	\$ -	\$ 15,008
Accrued liabilities	1,856	-	31,199	7,365	-	-	7,217
Deferred revenues	-	-	-	-	-	-	319,245
Unearned revenues	-	-	-	-	-	9,844	-
Deposits payable	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Due to other funds	304,225	-	275,723	-	-	63,686	-
Total Liabilities	395,831	39,878	401,052	39,841	-	73,530	341,470
Fund balances:							
Nonspendable							
Prepaid items	-	-	-	-	-	-	-
Restricted	(371,523)	807,434	(356,727)	93,562	36,191	(73,530)	(35,515)
Unassigned							
Debt service fund	-	-	-	-	-	-	-
Total fund balances	(371,523)	807,434	(356,727)	93,562	36,191	(73,530)	(35,515)
Total Liabilities and Fund Balances	\$ 24,308	\$ 847,312	\$ 44,325	\$ 133,403	\$ 36,191	\$ -	\$ 305,955

City of Hawthorne
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

Special Revenue						
MTA Measure R	Proposition A	Proposition C	Federal Stimulus	Air Quality	Community Development Block Grant	American Down Payment Dream Program
\$ 879,306	\$ -	\$ -	\$ -	\$ 177,781	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	21,179	1,449,339	-
-	-	-	-	-	-	-
-	-	-	-	-	4,346,733	15,600
305	-	27	-	77	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	231,650	-
<u>\$ 879,611</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 199,037</u>	<u>\$ 6,027,722</u>	<u>\$ 15,600</u>
\$ -	\$ 286,602	\$ 7,633	\$ -	\$ 370	48,326	\$ -
-	-	3,153	-	-	6,846	-
-	-	-	-	-	4,699,551	15,600
-	-	-	-	-	-	-
-	-	-	-	-	17,897	-
-	-	-	-	-	-	-
-	593,646	152,678	-	-	1,740,909	-
-	880,248	163,464	-	370	6,513,529	15,600
-	-	-	-	-	-	-
879,611	(880,248)	(163,437)	-	198,667	(485,807)	-
-	-	-	-	-	-	-
<u>879,611</u>	<u>(880,248)</u>	<u>(163,437)</u>	<u>-</u>	<u>198,667</u>	<u>(485,807)</u>	<u>-</u>
<u>\$ 879,611</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 199,037</u>	<u>\$ 6,027,722</u>	<u>\$ 15,600</u>

City of Hawthorne
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue						
	HOME Grant	Housing Authority	California Used Oil Recycling	2009 Street Improvements	ABC Grant Assistance Program	Energy Efficiency & Conservation Project	HPRP Funds
Assets							
Cash and investments	\$ 213	\$ 1,260,500	\$ 18,188	\$ 1,791,475	\$ -	\$ -	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-	-
Receivables:							
Accounts	589,710	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-
Notes and loans	2,556,756	-	-	-	-	-	-
Accrued interest	-	148	4	907	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
Prepaid items	-	832,337	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Total Assets	\$ 3,146,679	\$ 2,092,985	\$ 18,192	\$ 1,792,382	\$ -	\$ -	\$ -
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 10,000	\$ 836,861	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	1,140	29,710	176	-	-	-	-
Deferred revenues	2,818,551	-	-	-	-	-	125,337
Unearned revenues	-	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Due to other funds	517,185	-	-	-	6,232	-	79,935
Total Liabilities	3,346,876	866,571	176	-	6,232	-	205,272
Fund Balances:							
Nonspendable:							
Prepaid items	-	832,337	-	-	-	-	-
Restricted	(200,197)	394,077	18,016	1,792,382	(6,232)	-	(205,272)
Unassigned							
Debt Service Fund	-	-	-	-	-	-	-
Total Fund Balances	(200,197)	1,226,414	18,016	1,792,382	(6,232)	-	(205,272)
Total Liabilities and Fund Balances	\$ 3,146,679	\$ 2,092,985	\$ 18,192	\$ 1,792,382	\$ -	\$ -	\$ -

City of Hawthorne
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

Capital Projects Fund	Debt Service Funds					Total Nonmajor Governmental Funds
Development Impact	Public Financing Authority	CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond	Community Redevelopment Agency	
\$ 2,555,366	\$ -	\$ 38,451	\$ 1,256,496	\$ 296,430	\$ 10,380	\$ 9,260,342
-	804,595	-	-	353,964	1,039,968	2,198,527
-	-	-	-	-	-	2,411,654
-	-	-	-	-	1,002,722	1,066,149
-	-	-	-	-	-	6,919,089
982	-	-	-	120	18	3,473
-	-	-	-	-	3,300,000	3,300,000
-	-	-	-	-	-	832,337
-	-	-	-	-	-	231,650
<u>\$ 2,556,348</u>	<u>\$ 804,595</u>	<u>\$ 38,451</u>	<u>\$ 1,256,496</u>	<u>\$ 650,514</u>	<u>\$ 5,353,088</u>	<u>\$ 26,223,221</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,461,034
-	-	-	-	-	-	88,662
-	-	-	-	-	-	7,978,284
-	-	-	-	-	-	9,844
-	-	-	-	-	-	17,897
-	-	-	-	-	-	-
-	219,782	-	-	-	1,926,671	5,880,672
-	219,782	-	-	-	1,926,671	15,436,393
-	-	-	-	-	-	832,337
2,556,348	584,813	38,451	-	650,514	3,426,417	8,697,995
-	-	-	1,256,496	-	-	1,256,496
<u>2,556,348</u>	<u>584,813</u>	<u>38,451</u>	<u>1,256,496</u>	<u>650,514</u>	<u>3,426,417</u>	<u>10,786,828</u>
<u>\$ 2,556,348</u>	<u>\$ 804,595</u>	<u>\$ 38,451</u>	<u>\$ 1,256,496</u>	<u>\$ 650,514</u>	<u>\$ 5,353,088</u>	<u>\$ 26,223,221</u>

	Special Revenue						
	Street Lighting	Gas Tax	Street	Asset Forfeiture	COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant
Revenues							
Taxes	\$ 538,363	\$ 2,216,719	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	125,858	-	370,041	-	118,258	2,079	60,820
Charges for services	-	-	181,925	-	-	-	-
Fines and forfeitures	-	-	-	603,551	-	-	-
Investment income	-	5,939	-	434	46	-	806
Other revenue	-	-	-	-	-	-	-
Total revenues	<u>664,221</u>	<u>2,222,658</u>	<u>551,966</u>	<u>603,985</u>	<u>118,304</u>	<u>2,079</u>	<u>61,626</u>
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	592,787	-	63,728	35,954
Public works	736,798	392,632	2,005,737	-	100,179	-	-
Recreation/senior services	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Redevelopment and Housing	-	-	-	-	-	-	-
Capital outlay	-	-	-	43,323	-	314	64,724
Debt service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>736,798</u>	<u>392,632</u>	<u>2,005,737</u>	<u>636,110</u>	<u>100,179</u>	<u>64,042</u>	<u>100,678</u>
Excess (Deficiency) of revenues over expenditures	<u>(72,577)</u>	<u>1,830,026</u>	<u>(1,453,771)</u>	<u>(32,125)</u>	<u>18,125</u>	<u>(61,963)</u>	<u>(39,052)</u>
Other Financing Sources (Uses)							
Proceeds from bond issuance	-	-	-	-	-	-	-
Transfers in	-	-	4,007,300	-	-	-	-
Transfers out	-	(3,446,527)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(3,446,527)</u>	<u>4,007,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(72,577)</u>	<u>(1,616,501)</u>	<u>2,553,529</u>	<u>(32,125)</u>	<u>18,125</u>	<u>(61,963)</u>	<u>(39,052)</u>
Fund balances - beginning	<u>(298,946)</u>	<u>2,423,935</u>	<u>(2,910,256)</u>	<u>125,687</u>	<u>18,066</u>	<u>(11,567)</u>	<u>3,537</u>
Fund balances - ending	<u>\$ (371,523)</u>	<u>\$ 807,434</u>	<u>\$ (356,727)</u>	<u>\$ 93,562</u>	<u>\$ 36,191</u>	<u>\$ (73,530)</u>	<u>\$ (35,515)</u>

City of Hawthorne
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2011

Special Revenue					
MTA Measure R	Proposition A	Proposition C	Federal Stimulus	Air Quality	Community Development Block Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
754,514	1,135,055	942,376	(288,292)	98,540	1,933,886
-	17,738	-	-	-	-
-	-	-	-	-	-
2,167	151	862	-	635	118,773
-	-	-	-	-	-
<u>756,681</u>	<u>1,152,944</u>	<u>943,238</u>	<u>(288,292)</u>	<u>99,175</u>	<u>2,052,659</u>
-	-	-	-	-	-
-	-	-	-	-	-
450,000	1,522,291	1,165,102	-	-	-
-	-	-	-	-	-
-	-	-	-	102,854	1,156,057
-	-	-	-	-	-
-	-	-	-	-	5,892
-	-	-	-	-	475,000
-	-	-	-	-	296,936
<u>450,000</u>	<u>1,522,291</u>	<u>1,165,102</u>	<u>-</u>	<u>102,854</u>	<u>1,933,885</u>
<u>306,681</u>	<u>(369,347)</u>	<u>(221,864)</u>	<u>(288,292)</u>	<u>(3,679)</u>	<u>118,774</u>
-	-	-	-	-	30,948
-	-	-	-	-	-
-	-	-	-	-	30,948
306,681	(369,347)	(221,864)	(288,292)	(3,679)	149,722
572,930	(510,901)	58,427	288,292	202,346	(635,529)
<u>\$ 879,611</u>	<u>\$ (880,248)</u>	<u>\$ (163,437)</u>	<u>\$ -</u>	<u>\$ 198,667</u>	<u>\$ (485,807)</u>

	Special Revenue							
	American Down Payment Dream Program	HOME Grant	Housing Authority	California Used Oil Recycling	2009 Street Improvements	ABC Grant Assistance Program	Energy Efficiency & Conservation Project	HPRP Funds
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	691,194	11,535,714	19,767	1,404,011	8,747	769,900	127,309
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment income	-	161,028	872	4	3,302	-	-	-
Other revenue	-	-	88,038	-	3,086,644	-	-	-
Total revenues	-	852,222	11,624,624	19,771	4,493,957	8,747	769,900	127,309
Expenditures								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	712	-	-
Public works	-	-	-	5,887	480	-	934,972	127,309
Recreation/senior services	-	-	-	-	-	-	-	-
Community development	-	691,194	11,222,678	-	-	-	-	-
Redevelopment and Housing	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	5,213,370	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	-	691,194	11,222,678	5,887	5,213,850	712	934,972	127,309
Excess (Deficiency) of revenues over expenditures	-	161,028	401,946	13,884	(719,893)	8,035	(165,072)	-
Other Financing Sources (Uses)								
Proceeds from bond issuance	-	-	-	-	-	-	-	-
Transfers in	-	44,445	-	-	-	-	353,400	-
Transfers out	-	-	(75,393)	-	-	-	-	-
Total other financing sources (uses)	-	44,445	(75,393)	-	-	-	353,400	-
Net change in fund balances	-	205,473	326,553	13,884	(719,893)	8,035	188,328	-
Fund balances - beginning	-	(405,670)	899,861	4,132	2,512,275	(14,267)	(188,328)	(205,272)
Fund balances - ending	\$ -	\$ (200,197)	\$ 1,226,414	\$ 18,016	\$ 1,792,382	\$ (6,232)	\$ -	\$ (205,272)

City of Hawthorne
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year ended June 30, 2011

Capital Project	Debt Service Funds					Total Nonmajor Governmental Funds
	Public Financing Authority	CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond	Community Redevelopment Agency	
Development Impact						
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,516,403	\$ 14,271,485
-	-	-	-	-	-	-
-	-	-	-	-	-	19,809,777
-	-	-	-	-	-	199,663
-	-	-	-	-	-	603,551
7,837	29	-	-	123	35,910	338,918
-	-	-	2,293,585	-	-	5,468,267
<u>7,837</u>	<u>29</u>	<u>-</u>	<u>2,293,585</u>	<u>123</u>	<u>11,552,313</u>	<u>40,691,661</u>
-	2,752	52,423	37	4,696	5,356,850	5,416,758
-	-	-	-	-	-	693,181
325,534	-	-	-	-	-	7,766,921
-	-	-	-	-	-	-
19,944	-	-	-	-	-	13,192,727
-	-	-	-	-	-	-
-	-	-	-	-	-	5,327,623
-	6,742,667	534,098	-	110,000	750,000	8,611,765
-	563,411	689,438	646,121	162,145	2,177,913	4,535,964
<u>345,478</u>	<u>7,308,830</u>	<u>1,275,959</u>	<u>646,158</u>	<u>276,841</u>	<u>8,284,763</u>	<u>45,544,939</u>
<u>(337,641)</u>	<u>(7,308,801)</u>	<u>(1,275,959)</u>	<u>1,647,427</u>	<u>(276,718)</u>	<u>3,267,550</u>	<u>(4,853,278)</u>
-	6,367,436	-	-	-	-	6,367,436
-	421,416	1,285,000	-	280,000	2,145,000	8,567,509
-	-	-	-	-	(6,345,000)	(9,866,920)
-	6,788,852	1,285,000	-	280,000	(4,200,000)	5,068,025
(337,641)	(519,949)	9,041	1,647,427	3,282	(932,450)	214,747
<u>2,893,989</u>	<u>1,104,762</u>	<u>29,410</u>	<u>(390,931)</u>	<u>647,232</u>	<u>4,358,867</u>	<u>10,572,081</u>
<u>\$ 2,556,348</u>	<u>\$ 584,813</u>	<u>\$ 38,451</u>	<u>\$ 1,256,496</u>	<u>\$ 650,514</u>	<u>\$ 3,426,417</u>	<u>\$ 10,786,828</u>

City of Hawthorne
Budgetary Comparison Schedule
Street Lighting
Year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Taxes	\$ 546,765	\$ 546,765	\$ 538,363	\$ (8,402)
Intergovernmental	<u>126,858</u>	<u>126,858</u>	<u>125,858</u>	<u>(1,000)</u>
Total Revenues	<u>673,623</u>	<u>673,623</u>	<u>664,221</u>	<u>(9,402)</u>
Expenditures				
Public Works	<u>691,748</u>	<u>698,384</u>	<u>736,798</u>	<u>(38,414)</u>
Total Expenditures	<u>691,748</u>	<u>698,384</u>	<u>736,798</u>	<u>(38,414)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(18,125)</u>	<u>(24,761)</u>	<u>(72,577)</u>	<u>(47,816)</u>
Net Change in Fund Balances	(18,125)	(24,761)	(72,577)	(47,816)
Fund Balances, Beginning	<u>(298,946)</u>	<u>(298,946)</u>	<u>(298,946)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (317,071)</u>	<u>\$ (323,707)</u>	<u>\$ (371,523)</u>	<u>\$ (47,816)</u>

City of Hawthorne
Budgetary Comparison Schedule
Gas Tax
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,290,000.00	\$ 2,290,000	\$ 2,216,719	\$ (73,281)
Investment Income	10,000	10,000	5,939	(4,061)
Total Revenues	2,300,000	2,300,000	2,222,658	(77,342)
Expenditures				
Public works	1,580,000	1,187,488	392,632	794,856
Total Expenditures	1,580,000	1,187,488	392,632	794,856
Excess (Deficiency) of Revenues over Expenditures	720,000	1,112,512	1,830,026	717,514
Other Financing Sources (Uses)				
Transfers Out	(1,300,000)	(1,700,000)	(3,446,527)	(1,746,527)
Total Other Financing Sources (Uses)	(1,300,000)	(1,700,000)	(3,446,527)	(1,746,527)
Net Change in Fund Balances	(580,000)	(587,488)	(1,616,501)	(1,029,013)
Fund Balances, Beginning	2,423,935	2,423,935	2,423,935	-
Fund Balances, Ending	\$ 1,843,935	\$ 1,836,447	\$ 807,434	\$ (1,029,013)

City of Hawthorne
Budgetary Comparison Schedule
Street
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 336,170	\$ 366,170	\$ 370,041	\$ 3,871
Charges for services	<u>212,000</u>	<u>182,000</u>	<u>181,925</u>	<u>(75)</u>
Total Revenues	<u>548,170</u>	<u>548,170</u>	<u>551,966</u>	<u>3,796</u>
Expenditures				
Public Works	<u>2,044,599</u>	<u>2,079,951</u>	<u>2,005,737</u>	<u>74,214</u>
Total Expenditures	<u>2,044,599</u>	<u>2,079,951</u>	<u>2,005,737</u>	<u>74,214</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,496,429)</u>	<u>(1,531,781)</u>	<u>(1,453,771)</u>	<u>78,010</u>
Other Financing Sources (Uses)				
Transfers in	<u>1,300,000</u>	<u>1,300,000</u>	<u>4,007,300</u>	<u>2,707,300</u>
Total Other Financing Sources (Uses)	<u>1,300,000</u>	<u>1,300,000</u>	<u>4,007,300</u>	<u>2,707,300</u>
Net Change in Fund Balances	(196,429)	(231,781)	2,553,529	2,785,310
Fund Balances, Beginning	<u>(2,910,256)</u>	<u>(2,910,256)</u>	<u>(2,910,256)</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>(3,106,685)</u></u>	\$ <u><u>(3,142,037)</u></u>	\$ <u><u>(356,727)</u></u>	\$ <u><u>2,785,310</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Asset Forfeiture
Year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Fines and forfeitures	\$ 200,000	\$ 200,000	\$ 603,551	\$ 403,551
Investment income	<u>5,000</u>	<u>5,000</u>	<u>434</u>	<u>(4,566)</u>
Total Revenues	<u>205,000</u>	<u>205,000</u>	<u>603,985</u>	<u>398,985</u>
Expenditures				
Public safety	420,454	454,634	592,787	(138,153)
Capital outlay	<u>-</u>	<u>3,568</u>	<u>43,323</u>	<u>(39,755)</u>
Total Expenditures	<u>420,454</u>	<u>458,202</u>	<u>636,110</u>	<u>(177,908)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(215,454)</u>	<u>(253,202)</u>	<u>(32,125)</u>	<u>221,077</u>
Net Change in Fund Balances	(215,454)	(253,202)	(32,125)	221,077
Fund Balances, Beginning	<u>125,687</u>	<u>125,687</u>	<u>125,687</u>	<u>-</u>
Fund Balances, Ending	\$ <u>(89,767)</u>	\$ <u>(127,515)</u>	\$ <u>93,562</u>	\$ <u>221,077</u>

City of Hawthorne
Budgetary Comparison Schedule
COPS
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 118,258	\$ 18,258
Investment income	2,000	2,000	46	(1,954)
Total Revenues	102,000	102,000	118,304	16,304
Expenditures				
Public works	100,000	100,180	100,179	1
Total Expenditures	100,000	100,180	100,179	1
Excess (Deficiency) of Revenues over Expenditures	2,000	1,820	18,125	16,305
Net Change in Fund Balances	2,000	1,820	18,125	16,305
Fund Balances, Beginning	18,066	18,066	18,066	-
Fund Balances, Ending	\$ 20,066	\$ 19,886	\$ 36,191	\$ 16,305

City of Hawthorne
Budgetary Comparison Schedule
California Office of Traffic Safety
Year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 132,517	\$ 81,775	\$ 2,079	\$ (79,696)
Total Revenues	<u>132,517</u>	<u>81,775</u>	<u>2,079</u>	<u>(79,696)</u>
Expenditure				
Public safety	-	2,415	63,728	(61,313)
Capital outlay	<u>-</u>	<u>-</u>	<u>314</u>	<u>(314)</u>
Total Expenditures	<u>-</u>	<u>2,415</u>	<u>64,042</u>	<u>(61,627)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>132,517</u>	<u>79,360</u>	<u>(61,963)</u>	<u>(141,323)</u>
Net Change in Fund Balances	132,517	79,360	(61,963)	(141,323)
Fund Balances, Beginning	<u>(11,567)</u>	<u>(11,567)</u>	<u>(11,567)</u>	<u>-</u>
Fund Balances, Ending	\$ <u>120,950</u>	\$ <u>67,793</u>	\$ <u>(73,530)</u>	\$ <u>(141,323)</u>

City of Hawthorne
Budgetary Comparison Schedule
Local Law Enforcement Block Grant
Year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ -	\$ 424,616	\$ 60,820	\$ (363,796)
Investment income	-	-	806	806
Total Revenues	-	424,616	61,626	(362,990)
Expenditures				
Public Safety	-	277,835	35,954	241,881
Capital outlay	-	159,681	64,724	94,957
Total Expenditures	-	437,516	100,678	336,838
Excess (Deficiency) of Revenues over Expenditures	-	(12,900)	(39,052)	(26,152)
Net Change in Fund Balances	-	(12,900)	(39,052)	(26,152)
Fund Balances, Beginning	3,537	3,537	3,537	-
Fund Balances, Ending	\$ 3,537	\$ (9,363)	\$ (35,515)	\$ (26,152)

City of Hawthorne
Budgetary Comparison Schedule
MTA Measure R
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 754,444	\$ 754,444	\$ 754,514	\$ 70
Investment income	-	-	2,167	2,167
Total Revenues	754,444	754,444	756,681	2,237
Expenditures				
Public works	1,193,577	1,193,577	450,000	743,577
Total Expenditures	1,193,577	1,193,577	450,000	743,577
Excess (Deficiency) of Revenues over Expenditures	(439,133)	(439,133)	306,681	745,814
Net Change in Fund Balances	(439,133)	(439,133)	306,681	745,814
Fund Balances, Beginning	572,930	572,930	572,930	-
Fund Balances, Ending	\$ 133,797	\$ 133,797	\$ 879,611	\$ 745,814

City of Hawthorne
Budgetary Comparison Schedule
Proposition A
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 1,212,727	\$ 1,212,727	\$ 1,135,055	\$ (77,672)
Charges for services	29,000	29,000	17,738	(11,262)
Investment income	10,000	10,000	151	(9,849)
Total Revenues	1,251,727	1,251,727	1,152,944	(98,783)
Expenditures				
Public works	1,557,500	1,563,536	1,522,291	41,245
Total Expenditures	1,557,500	1,563,536	1,522,291	41,245
Excess (Deficiency) of Revenues over Expenditures	(305,773)	(311,809)	(369,347)	(57,538)
Net Change in Fund Balances	(305,773)	(311,809)	(369,347)	(57,538)
Fund Balances, Beginning	(510,901)	(510,901)	(510,901)	-
Fund Balances, Ending	\$ (816,674)	\$ (822,710)	\$ (880,248)	\$ (57,538)

City of Hawthorne
Budgetary Comparison Schedule
Proposition C
Year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 1,005,925	\$ 1,005,925	\$ 942,376	\$ (63,549)
Investment income	<u>20,000</u>	<u>20,000</u>	<u>862</u>	<u>(19,138)</u>
Total Revenues	<u>1,025,925</u>	<u>1,025,925</u>	<u>943,238</u>	<u>(82,687)</u>
Expenditures				
Public works	<u>996,406</u>	<u>1,004,566</u>	<u>1,165,102</u>	<u>(160,536)</u>
Total Expenditures	<u>996,406</u>	<u>1,004,566</u>	<u>1,165,102</u>	<u>(160,536)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>29,519</u>	<u>21,359</u>	<u>(221,864)</u>	<u>(243,223)</u>
Net Change in Fund Balances	29,519	21,359	(221,864)	(243,223)
Fund Balances, Beginning	<u>58,427</u>	<u>58,427</u>	<u>58,427</u>	<u>-</u>
Fund Balances, Ending	\$ <u>87,946</u>	\$ <u>79,786</u>	\$ <u>(163,437)</u>	\$ <u>(243,223)</u>

City of Hawthorne
Budgetary Comparison Schedule
Federal Stimulus
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ (288,292)	\$ (288,292)
Total Revenues	-	-	(288,292)	(288,292)
Expenditures				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	(288,292)	(288,292)
Net Change in Fund Balances	-	-	(288,292)	(288,292)
Fund Balances, Beginning	288,292	288,292	288,292	-
Fund Balances, Ending	\$ 288,292	\$ 288,292	\$ -	\$ (288,292)

City of Hawthorne
Budgetary Comparison Schedule
Air Quality
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 36,170	\$ 36,170	\$ 98,540	\$ 62,370
Investment income	<u>5,000</u>	<u>5,000</u>	<u>635</u>	<u>(4,365)</u>
Total Revenues	<u>41,170</u>	<u>41,170</u>	<u>99,175</u>	<u>58,005</u>
Expenditures				
Community development	<u>5,800</u>	<u>5,800</u>	<u>102,854</u>	<u>(97,054)</u>
Total Expenditures	<u>5,800</u>	<u>5,800</u>	<u>102,854</u>	<u>(97,054)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>35,370</u>	<u>35,370</u>	<u>(3,679)</u>	<u>(39,049)</u>
Net Change in Fund Balances	35,370	35,370	(3,679)	(39,049)
Fund Balances, Beginning	<u>202,346</u>	<u>202,346</u>	<u>202,346</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>237,716</u></u>	\$ <u><u>237,716</u></u>	\$ <u><u>198,667</u></u>	\$ <u><u>(39,049)</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Community Development Block Grant
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 1,861,027	\$ 1,874,814	\$ 1,933,886	\$ 59,072
Investment income	18,000	18,000	118,773	100,773
Total Revenues	1,879,027	1,892,814	2,052,659	159,845
Expenditures				
Community development	1,104,130	1,102,130	1,156,057	(53,927)
Capital Outlay		15,787	5,892	9,895
Debt service:				
Principal retirement	475,000	475,000	475,000	-
Interest and fiscal changes	296,936	296,936	296,936	-
Total Expenditures	1,876,066	1,889,853	1,933,885	(44,032)
Excess (Deficiency) of Revenues over Expenditures	2,961	2,961	118,774	115,813
Other Financing Sources (Uses)				
Transfers in	-	-	30,948	30,948
Total Other Financing Sources (Uses)	-	-	30,948	30,948
Net Change in Fund Balances	2,961	2,961	149,722	146,761
Fund Balances, Beginning	(635,529)	(635,529)	(635,529)	-
Fund Balances, Ending	\$ (632,568)	\$ (632,568)	\$ (485,807)	\$ 146,761

City of Hawthorne
Budgetary Comparison Schedule
HOME Grant
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 987,760	\$ 986,760	\$ 691,194	\$ (295,566)
Investment income	-	-	160,815	160,815
Total Revenues	987,760	986,760	852,009	(134,751)
Expenditures				
Community development	1,468,517	1,468,517	691,194	777,323
Total Expenditures	1,468,517	1,468,517	691,194	777,323
Excess (Deficiency) of Revenues over Expenditures	(480,757)	(481,757)	160,815	642,572
Other Financing Sources (Uses)				
Transfers in	-	-	44,445	44,445
Total Other Financing Sources (Uses)	-	-	44,445	44,445
Net Change in Fund Balances	(480,757)	(481,757)	205,260	687,017
Fund Balances, Beginning	(405,670)	(405,670)	(405,670)	-
Fund Balances, Ending	\$ (886,427)	\$ (887,427)	\$ (200,410)	\$ 687,017

City of Hawthorne
Budgetary Comparison Schedule
Housing Authority
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 12,099,413	\$ 6,544,336	\$ 11,535,714	\$ 4,991,378
Investment income	5,000	5,000	872	(4,128)
Other revenue	50,000	50,000	88,038	38,038
Total Revenues	12,154,413	6,599,336	11,624,624	5,025,288
Expenditures				
Community Development	11,894,351	11,894,351	11,222,678	671,673
Total Expenditures	11,894,351	11,894,351	11,222,678	671,673
Excess (Deficiency) of Revenues over Expenditures	260,062	(5,295,015)	401,946	5,696,961
Other Financing Sources (Uses)				
Transfers out	-	-	(75,393)	(75,393)
Total Other Financing Sources (Uses)	-	-	(75,393)	(75,393)
Net Change in Fund Balances	260,062	(5,295,015)	326,553	5,621,568
Fund Balances, Beginning	899,861	899,861	899,861	-
Fund Balances, Ending	\$ 1,159,923	\$ (4,395,154)	\$ 1,226,414	\$ 5,621,568

City of Hawthorne
Budgetary Comparison Schedule
California Used Oil Recycling
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 7,874	\$ 7,874	\$ 19,767	\$ 11,893
Investment income	-	-	4	4
Total Revenues	7,874	7,874	19,771	11,897
Expenditures				
Public works	7,705	8,473	5,887	2,586
Total Expenditures	7,705	8,473	5,887	2,586
Excess (Deficiency) of Revenues over Expenditures	169	(599)	13,884	14,483
Net Change in Fund Balances	169	(599)	13,884	14,483
Fund Balances, Beginning	4,132	4,132	4,132	-
Fund Balances, Ending	\$ 4,301	\$ 3,533	\$ 18,016	\$ 14,483

City of Hawthorne
Budgetary Comparison Schedule
2009 Street Improvements
Year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 1,448,844	\$ 1,448,844	\$ 1,404,011	\$ (44,833)
Investment income	5,000	5,000	3,302	(1,698)
Other revenue	<u>7,240,233</u>	<u>7,240,233</u>	<u>3,086,644</u>	<u>(4,153,589)</u>
Total Revenues	<u>8,694,077</u>	<u>8,694,077</u>	<u>4,493,957</u>	<u>(4,200,120)</u>
Expenditures				
Public works	483	483	480	3
Capital Outlay	<u>7,809,067</u>	<u>7,809,067</u>	<u>5,213,370</u>	<u>2,595,697</u>
Total Expenditures	<u>7,809,550</u>	<u>7,809,550</u>	<u>5,213,850</u>	<u>2,595,700</u>
Excess (Deficiency) of Revenues over Expenditures	<u>884,527</u>	<u>884,527</u>	<u>(719,893)</u>	<u>(1,604,420)</u>
Net Change in Fund Balances	884,527	884,527	(719,893)	(1,604,420)
Fund Balances, Beginning	<u>2,512,275</u>	<u>2,512,275</u>	<u>2,512,275</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 3,396,802</u>	<u>\$ 3,396,802</u>	<u>\$ 1,792,382</u>	<u>\$ (1,604,420)</u>

City of Hawthorne
Budgetary Comparison Schedule
ABC Grant Assistance Program
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 8,747	\$ 8,747
Total Revenues		-	8,747	8,747
Expenditures				
Public safety	-	-	712	(712)
Total Expenditures	-	-	712	(712)
Excess (Deficiency) of Revenues over Expenditures	-	-	8,035	8,035
Net Change in Fund Balances		-	8,035	8,035
Fund Balances, Beginning	(14,267)	(14,267)	(14,267)	-
Fund Balances, Ending	\$ (14,267)	\$ (14,267)	\$ (6,232)	\$ 8,035

City of Hawthorne
Budgetary Comparison Schedule
Energy Efficiency and Conservation Project
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 820,000	\$ 820,000	\$ 769,900	\$ (50,100)
Total Revenues	820,000	820,000	769,900	(50,100)
Expenditures				
Public works	1,300,000	1,300,000	934,972	365,028
Total Expenditures	1,300,000	1,300,000	934,972	365,028
Excess (Deficiency) of Revenues over Expenditures	(480,000)	(480,000)	(165,072)	314,928
Other Financing Sources (Uses)				
Transfers In	-	-	353,400	353,400
Total Other Financing Sources (Uses)	-	-	353,400	353,400
Net Change in Fund Balances	(480,000)	(480,000)	188,328	668,328
Fund Balances, Beginning	(188,328)	(188,328)	(188,328)	-
Fund Balances, Ending	\$ (668,328)	\$ (668,328)	\$ -	\$ 668,328

City of Hawthorne
Budgetary Comparison Schedule
HPRP Funds
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 127,309	\$ 127,309
Total Revenues	-	-	127,309	127,309
Expenditures				
Public works	171,976	171,976	127,309	44,667
Total Expenditures	171,976	171,976	127,309	44,667
Net Change in Fund Balances	(171,976)	(171,976)	-	171,976
Fund Balances, Beginning	(205,272)	(205,272)	(205,272)	-
Fund Balances, Ending	\$ (377,248)	\$ (377,248)	\$ (205,272)	\$ 171,976

City of Hawthorne
Budgetary Comparison Schedule
Development Impact
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenue				
Licenses and permits	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Investment income	<u>20,000</u>	<u>20,000</u>	<u>7,837</u>	<u>(12,163)</u>
Total Revenues	<u>120,000</u>	<u>120,000</u>	<u>7,837</u>	<u>(112,163)</u>
Expenditures				
Community development	<u>510,500</u>	<u>510,500</u>	<u>345,578</u>	<u>164,922</u>
Total Expenditures	<u>510,500</u>	<u>510,500</u>	<u>345,478</u>	<u>164,922</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(390,500)</u>	<u>(390,500)</u>	<u>(337,641)</u>	<u>52,759</u>
Net Change in Fund Balances	(390,500)	(390,500)	(337,641)	52,859
Fund Balances, Beginning	<u>2,893,989</u>	<u>2,893,989</u>	<u>2,893,989</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 2,503,489</u>	<u>\$ 2,503,489</u>	<u>\$ 2,556,348</u>	<u>\$ 52,859</u>

City of Hawthorne
Budgetary Comparison Schedule
Community Redevelopment Agency – Capital Projects
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,181,480	\$ 2,181,480	\$ 2,157,992	\$ (23,488)
Use of money and property	493,000	493,000	386,031	(106,969)
Miscellaneous	7,000	7,000	409,147	402,147
Total Revenues	2,681,480	2,681,480	2,953,170	271,690
Expenditures				
Current:				
General government	2,140,690	2,140,690	1,278,858	861,832
Community Development	2,120,000	2,120,000	2,076,703	43,297
Capital Outlay	3,016,034	3,016,034	16,034	3,000,000
Interest and fiscal charges	1,125,000	1,125,000	1,221,600	(96,600)
Total Expenditures	8,401,724	8,401,724	4,593,195	3,808,529
Excess (Deficiency) of Revenues over Expenditures	(5,720,244)	(5,720,244)	(1,640,025)	4,080,219
Other financing sources (uses)				
Loan Proceeds	1,125,000	1,125,000	1,125,000	-
Transfers in	4,200,000	4,200,000	4,200,000	-
Total other financing sources (uses)	5,325,000	5,325,000	5,325,000	-
Net change in fund balance	(395,244)	(395,244)	3,684,975	4,080,219
Fund Balances, Beginning	(54,818,987)	(54,818,987)	(54,818,987)	-
Fund Balances, Ending	\$ (55,214,231)	\$ (55,214,231)	\$ (51,134,012)	\$ 4,080,219

City of Hawthorne
Budgetary Comparison Schedule
Public Financing Authority
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Investment income	\$ 2,000	\$ 2,000	\$ 29	\$ (1,971)
Total Revenues	2,000	2,000	29	(1,971)
Expenditures				
General government	5,200	5,200	2,752	2,448
Debt service:				-
Principal retirement	716,737	457,737	6,742,667	(6,284,930)
Interest and fiscal changes	-	-	563,411	(563,411)
Total Expenditures	721,937	462,937	7,308,830	(6,845,893)
Excess (Deficiency) of Revenues over Expenditures	(719,937)	(460,937)	(7,308,801)	(6,847,864)
Other Financing Sources (Uses)				
Proceeds from bond issuance	-	-	6,367,436	6,367,436
Transfers In	-	471,000	421,416	(49,584)
Total Other Financing Sources (Uses)	-	471,000	6,788,852	6,317,852
Net Change in Fund Balances	(719,937)	10,063	(519,949)	(530,012)
Fund Balances, Beginning	1,104,762	1,104,762	1,104,762	-
Fund Balances, Ending	\$ 384,825	\$ 1,114,825	\$ 584,813	\$ (530,012)

City of Hawthorne
Budgetary Comparison Schedule
CIEDB Police Facility Lease Obligation
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
General Government	52,420	52,420	52,423	(3)
Debt Service:				
Principal retirement	531,098	531,098	534,098	(3,000)
Interest and fiscal charges	689,437	689,437	689,438	(1)
Total Expenditures	1,272,955	1,272,955	1,275,959	(3,004)
Excess (Deficiency) of Revenues over Expenditures	(1,272,955)	(1,272,955)	(1,275,959)	(3,004)
Other Financing Sources (Uses)				
Transfer In	1,285,000	1,285,000	1,285,000	-
Total Other Financing Sources (Uses)	1,285,000	1,285,000	1,285,000	-
Net Change in Fund Balances	12,045	12,045	9,041	(3,004)
Fund Balances, Beginning	29,410	29,410	29,410	-
Fund Balances, Ending	\$ 41,455	\$ 41,455	\$ 38,451	\$ (3,004)

City of Hawthorne
Budgetary Comparison Schedule
2005 PERS Obligation Bonds
Year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Other revenue	\$ 2,599,250	\$ 2,599,250	\$ 2,293,585	\$ (305,665)
Total Revenues	<u>2,599,250</u>	<u>2,599,250</u>	<u>2,293,585</u>	<u>(305,665)</u>
Expenditures				
General Government	100	136	37	99
Debt service:				
Principal retirement	1,535,000	1,535,000	-	1,535,000
Interest and fiscal changes	<u>1,271,059</u>	<u>1,271,059</u>	<u>646,121</u>	<u>624,938</u>
Total Expenditures	<u>2,806,159</u>	<u>2,806,195</u>	<u>646,158</u>	<u>2,160,037</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(206,909)</u>	<u>(206,945)</u>	<u>1,647,427</u>	<u>1,854,372</u>
Net Change in Fund Balances	(206,909)	(206,945)	1,647,427	1,854,372
Fund Balances, Beginning	<u>(390,931)</u>	<u>(390,931)</u>	<u>(390,931)</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>(597,840)</u></u>	\$ <u><u>(597,876)</u></u>	\$ <u><u>1,256,496</u></u>	\$ <u><u>1,854,372</u></u>

City of Hawthorne
Budgetary Comparison Schedule
SBRPCA 2007 Series B Bond
Year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Investment Income	\$ 2,000	\$ 2,000	\$ 123	\$ (1,877)
Total Revenues	2,000	2,000	123	(1,877)
Expenditures				
General government	5,100	5,100	4,696	404
Debt service:				
Principal retirement	110,000	110,000	110,000	-
Interest and fiscal changes	162,145	162,145	162,145	-
Total Expenditures	277,245	277,245	276,841	404
Excess (Deficiency) of Revenues over Expenditures	(275,245)	(275,245)	(276,718)	(1,473)
Other Financing Sources (Uses)				
Transfer In	280,000	280,000	280,000	-
Total Other Financing Sources (Uses)	280,000	280,000	280,000	-
Net Change in Fund Balances	4,755	4,755	3,282	(1,473)
Fund Balances, Beginning	647,232	647,232	647,232	-
Fund Balances, Ending	\$ 651,987	\$ 651,987	\$ 650,514	\$ (1,473)

City of Hawthorne
Budgetary Comparison Schedule
Community Redevelopment Agency – Debt Service
Year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 11,647,800	\$ 11,647,800	\$ 11,516,403	\$ (131,397)
Investment Income	30,200	30,200	35,910	5,710
Total Revenues	11,678,000	11,678,000	11,552,313	(125,687)
Expenditures				
General government	5,808,600	5,808,600	5,356,850	451,750
Debt Service:				
Principal retirement	750,000	750,000	750,000	-
Interest & Fiscal Charges	2,177,911	2,177,911	2,177,913	(2)
Total Expenditures	8,736,511	8,736,511	8,284,763	451,748
Excess (Deficiency) of Revenues over Expenditures	2,941,489	2,941,489	3,267,550	326,061
Other Financing Sources (Uses)				
Transfer in	2,145,000	2,145,000	2,145,000	-
Transfer out	(6,345,000)	(6,345,000)	(6,345,000)	-
Total Other Financing Sources (Uses)	(4,200,000)	(4,200,000)	(4,200,000)	-
Net Change in Fund Balances	(1,258,511)	(1,258,511)	(932,450)	326,061
Fund Balances, Beginning	4,358,867	4,358,867	4,358,867	-
Fund Balances, Ending	\$ 3,100,356	\$ 3,100,356	\$ 3,426,417	\$ 326,061

City of Hawthorne
Combining Statement of Net Assets
Internal Service Funds
Year ended June 30, 2011

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 2,972,187	\$ -	\$ 2,972,187
Receivables			
Accounts	10,945	3,496	14,441
Advances from other funds	310,000	-	310,000
Inventories	<u>14,311</u>	<u>-</u>	<u>14,311</u>
Total current assets	<u>3,307,443</u>	<u>3,496</u>	<u>3,310,939</u>
Noncurrent assets:			
Capital assets - net of accumulated depreciation	<u>1,335,884</u>	<u>-</u>	<u>1,335,884</u>
Total noncurrent assets	<u>1,335,884</u>	<u>-</u>	<u>1,335,884</u>
Total assets	<u>4,643,327</u>	<u>3,496</u>	<u>4,646,823</u>
Liabilities			
Current liabilities:			
Accounts payable	110,275	377,232	487,507
Accrued liabilities	8,791	10,153	18,944
Due to other funds	-	409,174	409,174
Compensated absences	3,165	-	3,165
Claims and judgments	<u>-</u>	<u>560,000</u>	<u>560,000</u>
Total current liabilities	<u>122,231</u>	<u>1,356,559</u>	<u>1,478,790</u>
Noncurrent liabilities:			
Claims and judgments	<u>-</u>	<u>5,150,434</u>	<u>5,150,434</u>
Total liabilities	<u>122,231</u>	<u>6,506,993</u>	<u>6,629,224</u>
Net Assets			
Invested in capital assets, net of related debt	1,335,884	-	1,335,884
Unrestricted	<u>3,185,212</u>	<u>(6,503,497)</u>	<u>(3,318,285)</u>
Total net assets	<u>\$ 4,521,096</u>	<u>\$ (6,503,497)</u>	<u>\$ (1,982,401)</u>

City of Hawthorne
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year ended June 30, 2011

	Equipment Replacement	Insurance Reserve	Total
Operating revenues:			
Sales and service charges	\$ 1,988,803	\$ 2,678,640	\$ 4,667,443
Miscellaneous	<u>60,377</u>	<u>60,093</u>	<u>120,470</u>
Total operating revenues	<u>2,049,180</u>	<u>2,738,733</u>	<u>4,787,913</u>
Operating expenses:			
Administration and general	821,050	323,006	1,144,056
Materials and supplies	297,166	-	297,166
Contractual services	23,500	3,894,190	3,917,690
Depreciation	<u>483,181</u>	<u>-</u>	<u>483,181</u>
Total operating expenses	<u>1,624,897</u>	<u>4,217,196</u>	<u>5,842,093</u>
Changes in net assets	424,283	(1,478,463)	(1,054,180)
Net assets			
Beginning of year	<u>4,096,813</u>	<u>(5,025,034)</u>	<u>(928,221)</u>
End of year	\$ <u><u>4,521,096</u></u>	\$ <u><u>(6,503,497)</u></u>	\$ <u><u>(1,982,401)</u></u>

City of Hawthorne
Combining Statement of Cash Flows
Internal Service Funds
Year ended June 30, 2011

	Equipment Replacement	Insurance Reserve	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 2,038,234	\$ 2,735,237	\$ 4,773,471
Cash paid to suppliers for goods and services	(1,037,850)	(3,092,788)	(4,130,638)
Cash paid to employees for services	(190,691)	(245,540)	(436,231)
Net cash provided (used) by operating activities	809,693	(603,091)	206,602
Cash flows from noncapital financing activities			
Cash received from other funds	573,824	409,174	982,998
Net cash provided (used) by noncapital financing activities	573,824	409,174	982,998
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(382,337)	-	(382,337)
Net increase (decrease) in cash and cash equivalents	1,001,180	(193,917)	807,263
Cash and cash equivalents, beginning of year	1,971,007	193,917	2,164,924
Cash and cash equivalents, end of year	\$ 2,972,187	\$ -	\$ 2,972,187
Reconciliation of operating income to net cash provided (used) by operating activities:			
Cash flows from operating activities			
Operating income (loss)	\$ 424,283	\$ (1,478,463)	\$ (1,054,180)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	483,181	-	483,181
Decrease (increase) in accounts receivable	(10,946)	(3,496)	(14,442)
Increase (decrease) in accounts payable	(83,865)	51,043	(32,822)
Increase (decrease) in claims and judgments	-	827,199	827,199
Increase)decrease) in accrued liabilities and compensated absences	(2,960)	626	(2,334)
Net cash provided (used) by operating activities	\$ 809,693	\$ (603,091)	\$ 206,602

City of Hawthorne
Combining Statement of Assets and Liabilities
All Agency Funds
June 30, 2011

	<u>Facilities District</u>	<u>City Agency</u>	<u>Totals</u>
Assets			
Cash and investments	\$ 3,459,003	\$ 622,496	\$ 4,081,499
Receivables			
Taxes	10,165	-	10,165
Interest	1,324	-	1,324
Accounts	-	26,344	26,344
Restricted assets			
Cash and investments with fiscal agents	<u>7,395,437</u>	<u>-</u>	<u>7,395,437</u>
Total assets	\$ <u><u>10,865,929</u></u>	\$ <u><u>648,840</u></u>	\$ <u><u>11,514,769</u></u>
Liabilities			
Accounts payable	\$ 2,200	\$ 84,411	\$ 86,611
Deposits payable	-	564,429	564,429
Accrued liabilities	621,000	-	621,000
Due to bondholders	<u>10,242,729</u>	<u>-</u>	<u>10,242,729</u>
Total liabilities	\$ <u><u>10,865,929</u></u>	\$ <u><u>648,840</u></u>	\$ <u><u>11,514,769</u></u>

City of Hawthorne
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year ended June 30, 2011

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
<u>Communities Facilities District</u>				
Assets				
Cash and investments	\$ 2,972,734	\$ 5,027,594	\$ 4,541,325	\$ 3,459,003
Receivables				
Taxes	11,614	10,165	11,614	10,165
Interest	-	1,324	-	1,324
Restricted assets				
Cash and investments with fiscal agents	7,182,401	4,416,913	4,203,877	7,395,437
Total Assets	<u>\$ 10,166,749</u>	<u>\$ 9,455,996</u>	<u>\$ 8,756,816</u>	<u>\$ 10,865,929</u>
Liabilities				
Accounts payable	\$ -	\$ 125,461	\$ 123,261	\$ 2,200
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	9,545,749	9,330,535	8,633,555	10,242,729
Total Liabilities	<u>\$ 10,166,749</u>	<u>\$ 9,455,996</u>	<u>\$ 8,756,816</u>	<u>\$ 10,865,929</u>
<u>City Agency</u>				
Assets				
Cash and investments	\$ 641,710	\$ 6,213,180	\$ 6,232,394	\$ 622,496
Accounts receivable	-	53,048	26,704	26,344
Total Assets	<u>\$ 641,710</u>	<u>\$ 6,266,228</u>	<u>\$ 6,259,098</u>	<u>\$ 648,840</u>
Liabilities				
Accounts payable	\$ 34,169	\$ 772,793	\$ 722,551	\$ 84,411
Deposits payable	607,541	5,493,435	5,536,547	564,429
Total Liabilities	<u>\$ 641,710</u>	<u>\$ 6,266,228</u>	<u>\$ 6,259,098</u>	<u>\$ 648,840</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash and investments	\$ 3,614,444	\$ 11,240,774	\$ 10,773,719	\$ 4,081,499
Receivables				
Taxes	11,614	10,165	11,614	10,165
Interest		1,324	-	1,324
Accounts		53,048	26,704	26,344
Restricted assets				
Cash and investments with fiscal agents	7,182,401	4,416,913	4,203,877	7,395,437
Total Assets	<u>\$ 10,808,459</u>	<u>\$ 15,722,224</u>	<u>\$ 15,015,914</u>	<u>\$ 11,514,769</u>
Liabilities				
Accounts payable	\$ 34,169	\$ 898,254	\$ 845,812	\$ 86,611
Accrued liabilities	621,000	-	-	621,000
Deposits payable	607,541	5,493,435	5,536,547	564,429
Due to bondholders	9,545,749	9,330,535	8,633,555	10,242,729
Total Liabilities	<u>\$ 10,808,459</u>	<u>\$ 15,722,224</u>	<u>\$ 15,015,914</u>	<u>\$ 11,514,769</u>

