

Financial Statements
City of Hawthorne, California
Year ended June 30, 2012
with Report of Independent Auditors

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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, 2012, 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.

We were unable to satisfy ourselves about the valuation of the notes and loans receivable as of June 30, 2012. Management has not adopted a control process for monitoring and reconciling the balances 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 an allowance for uncollectible amounts. We were not able to determine the effect, if any, of such adjustments as may have been necessary to properly state the balance of notes and loans receivable.

In our opinion, except for the effects of such adjustments, if any, as may have been necessary to properly state the balance of loans and notes receivable, 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, 2012, 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 to the financial statements, the Hawthorne Redevelopment Agency, a blended component unit of the City, was dissolved effective February 1, 2012 as a result of legislation enacted by the State of California.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013 on our consideration of the City of Hawthorne'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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the required supplementary information on pages 64 through 67 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.

Vergara + Company LLP

Los Angeles, California
March 29, 2013

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, 2012. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- ◆ At June 30, 2012, the City's net assets (excess of assets over liabilities) were \$126.7 million. Of this amount, \$18.4 million has already been set aside to meet certain ongoing operations of the City and \$60.7 million represents nonspendable investments in fixed assets.
- ◆ During the fiscal year ended June 30, 2012, the City's net assets increased by \$68.7 million. The majority of the overall decreases in revenues and expenditures are related to the passing of AB 1X 26, which approved the dissolution of redevelopment agencies as of February 1, 2012. Assets of the former Hawthorne Redevelopment Agency were transferred to the Successor Agency from the Dissolved Hawthorne Redevelopment Agency (Successor Agency) on February 1, 2012. Financial information for the Successor Agency is presented as a Private-purpose Trust fund. Additional information can be found in notes 1 and 13 of the notes to the basic financial statements
- ◆ At the end of the fiscal year ended June 30, 2012, unassigned fund balance for the General Fund was \$14.1 million, or 29 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. This report also consists of supplementary information in addition 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 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, The Hawthorne Housing Authority and the Housing Asset Fund, 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 - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Trust funds use the flow of economic resources measurement focus and the accrual basis of accounting. Agency funds also use the accrual basis of accounting, but, since they are custodial in nature and do not involve the measurement of results of operations, they do not use a measurement focus. Beginning with FY 2011/12, the fiduciary funds include the Successor Agency to the Dissolved Hawthorne Redevelopment Agency in addition to agency funds.

The fiduciary fund financial statements can be found on pages 19-20 of this report.

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, The South Bay Workforce Investment Board Fund and The Hawthorne Housing Authority.

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, 2012, net assets of the City were \$126.7 million, which is an increase of \$68.7 million from the prior year, after transfers and extraordinary items related to the former redevelopment agency dissolution.

The following is the condensed Statement of Net Assets for the fiscal years June 30, 2012 and 2011.

	Net Assets (dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 78,244	\$ 81,784	\$ (385)	\$ (1,396)	\$ 77,859	\$ 80,388
Capital assets	122,300	121,159	10,727	11,100	133,027	132,259
Total assets	<u>200,544</u>	<u>202,943</u>	<u>10,342</u>	<u>9,704</u>	<u>210,886</u>	<u>212,647</u>
Other liabilities	11,542	12,151	160	143	11,702	12,294
Long-term liabilities	72,346	142,211	101	105	72,447	142,316
Total liabilities	<u>83,888</u>	<u>154,362</u>	<u>261</u>	<u>248</u>	<u>84,149</u>	<u>154,610</u>
Net assets:						
Invested in capital assets, net of related debt	49,954	46,716	10,727	11,100	60,681	57,816
Restricted	18,421	24,935	-	-	18,421	24,935
Unrestricted	48,281	(23,069)	(646)	(1,644)	47,635	(24,713)
Total net assets	<u>\$ 116,656</u>	<u>\$ 48,582</u>	<u>\$ 10,081</u>	<u>\$ 9,456</u>	<u>\$ 126,737</u>	<u>\$ 58,038</u>

Approximately \$60.7 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 \$18.4 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. Assets decreased by \$1.8 million and liabilities decreased by \$70.5 million compared to June 30, 2011, mainly due to the dissolution of the former redevelopment agency.

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2012 and 2011.

**City of Hawthorne
Management's Discussion and Analysis
June 30, 2012**

Change in Net Assets (dollars in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 10,307	\$ 10,137	\$ 2,445	\$ 1,832	\$ 12,752	\$ 11,969
Operating grants and contributions	47,192	108,504	-	-	47,192	108,504
Capital grants and contributions	5,691	6,122	-	-	5,691	6,122
General revenues:						
Taxes:						
Property taxes	14,500	25,832	-	-	14,500	25,832
Other taxes	27,997	27,445	-	-	27,997	27,445
Other	1,299	978	-	-	1,299	978
Total revenues	106,986	179,018	2,445	1,832	109,431	180,850
Expenses						
General government	6,383	13,530	-	-	6,383	13,530
Public safety	39,197	38,763	-	-	39,197	38,763
Community development	31,863	102,613	-	-	31,863	102,613
Parks and recreation	1,714	1,621	-	-	1,714	1,621
Public works	12,085	13,128	-	-	12,085	13,128
Interest on long-term debt	5,887	6,355	-	-	5,887	6,355
Airport	-	-	1,014	888	1,014	888
Sewer and storm drain	-	-	806	805	806	805
Total expenses	97,129	176,010	1,820	1,693	98,949	177,703
Change in net assets before transfers and extraordinary items	9,857	3,008	625	139	10,482	3,147
Transfers		561		(561)		-
Extraordinary items	58,217	-	-	-	58,217	-
Change in net assets	68,074	3,569	625	(422)	68,699	3,147
Net assets, beginning	48,582	45,013	9,456	9,878	58,038	54,891
Net assets, ending	\$ 116,656	\$ 48,582	\$ 10,081	\$ 9,456	\$ 126,737	\$ 58,038

The City's net assets from governmental activities totaled \$116.7 million. The cost of all governmental activities this year was \$97.1 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$43.8 million because some of the cost was paid by those who directly benefited from the programs (\$10.3 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$52.8 million). Overall, the City's governmental program revenues were \$63.2 million. The City paid for the remaining "public benefit" portion of governmental activities with \$42.5 million in taxes (some of which could only be used for certain programs) and with \$59.5 million of other revenues, such as interest earnings, general entitlements and extraordinary items related to the dissolution of the former redevelopment agency.

Revenue highlights:

- ◆ General Revenues decreased \$10.5 million from the prior year mainly due to the decrease in property taxes during the year.
- ◆ Charges for services increased nearly \$170 thousand due to an increase in the collection of development impact fees.
- ◆ Operating and Capital contributions and grants decreased by \$61.8 million, mainly due to the decrease of federal award (ARRA funding) for projects and employment programs provided through South Bay Workforce Investment Board (SBWIB). Prior year (FY 2010-11) was the final year of ARRA funding.

Expense highlights:

- ◆ Expenses decreased overall by \$79.0 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 increased net assets by \$625 thousand. Key elements of this increase are as follows:

Revenue Highlights:

- ◆ Total program revenue in the business-type activities increased by nearly \$613 thousand primarily because of increase in sewer charges.

Expense Highlights:

- ◆ Total expenses in the business-type activities increased \$127 thousand because of increase in cost of sales and services during the fiscal 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 2011-12, the City's governmental funds reported combined ending fund balance of \$24.9 million, an increase of \$30.5 million in comparison with prior fiscal year. Of this amount, \$9.2 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 2011-12, unassigned fund balance of the General Fund was \$14.1 million. The City's General Fund balance shows a decrease of \$20.3 million in Fiscal Year 2011-12 as compared to an increase of \$5.6 million in Fiscal Year 2010-11.

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, 2012, net capital assets totaled \$122.3 million for governmental activities and \$10.7 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 2011-12 was \$768 thousand, or .06 percent.

Debt Administration

At the end of the current fiscal year, the City had total bonded debt outstanding of \$54.3 million. The amount mainly represents revenue bonds issued by the Public Financing Authority for the City Capital Improvement Refinancing project 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, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 20,521,845	\$ 84,699	\$ 20,606,544
Cash and investments with fiscal agent	1,669,495	-	1,669,495
Receivables:			-
Accounts	8,944,592	226,022	9,170,614
Taxes	340,760	-	340,760
Interest	7,558	-	7,558
Contracts and notes	6,547,199	-	6,547,199
Internal balances	695,483	(695,483)	-
Prepaid costs	857,563	-	857,563
Due from successor agency	7,292,810	-	7,292,810
Due from other governments	3,353,441	-	3,353,441
Inventories	67,675	-	67,675
Deferred charges	114,342	-	114,342
Net pension asset	24,178,780	-	24,178,780
Investment in joint venture	3,652,694	-	3,652,694
Capital assets, not being depreciated	8,609,985	37,314	8,836,117
Capital assets, net of accumulated depreciation	113,689,913	10,689,878	124,190,973
	<u>200,544,135</u>	<u>10,342,430</u>	<u>210,886,565</u>
Liabilities			
Accounts payable	8,059,719	71,407	8,131,126
Accrued liabilities	1,189,052	26,030	1,215,082
Accrued interest	1,325,691	-	1,325,691
Unearned revenue	924,285	42,636	966,921
Deposits payable	42,897	20,208	63,105
Noncurrent liabilities:			
Due within one year	5,430,615	19,000	5,449,615
Due in more than one year	66,915,552	81,551	66,997,103
	<u>83,887,811</u>	<u>260,832</u>	<u>84,148,643</u>
Net Assets			
Invested in capital assets, net of related debt	49,953,731	10,727,192	60,680,923
Restricted for:			
Community development projects	13,337,436	-	13,337,436
Public safety	197,710	-	197,710
Capital projects	2,608,932	-	2,608,932
Debt service	1,726,292	-	1,726,292
Board operations	550,756	-	550,756
Unrestricted	48,281,467	(645,594)	47,635,873
	<u>116,656,324</u>	<u>10,081,598</u>	<u>126,737,922</u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Activities
Year ended June 30, 2012

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	\$ 6,382,008	\$ 4,591,932	\$ 4,858,185	\$ -	\$ 3,068,109	\$ -	\$ 3,068,109
Public safety	39,196,784	3,437,489	1,278,496	-	(34,480,799)	-	(34,480,799)
Community development	31,862,859	48,463	38,210,336	83,571	6,479,511	-	6,479,511
Parks and recreation	1,714,451	736,912	36,000	-	(941,539)	-	(941,539)
Public works	12,085,246	1,491,884	2,809,162	5,607,849	(2,176,351)	-	(2,176,351)
Interest on long-term debt	5,886,728	-	-	-	(5,886,728)	-	(5,886,728)
Total governmental activities	97,128,076	10,306,680	47,192,179	5,691,420	(33,937,797)	-	(33,937,797)
Business-type activities:							
Airport	1,013,603	875,314	-	-	-	(138,289)	(138,289)
Sewer and storm drain	805,749	1,569,367	-	-	-	763,618	763,618
Total business-type activities	1,819,352	2,444,681	-	-	-	625,329	625,329
Total primary government	\$ 98,947,428	\$ 12,751,361	\$ 47,192,179	\$ 5,691,420	(33,937,797)	625,329	(33,312,468)
General revenues:							
Taxes:							
Property taxes					14,499,970	-	14,499,970
Transient occupancy taxes					2,393,034	-	2,393,034
Sales taxes					11,907,391	-	11,907,391
Franchise taxes					1,705,681	-	1,705,681
Business license taxes					5,072,563	-	5,072,563
Utility users tax					6,689,440	-	6,689,440
Other taxes					137,620	-	137,620
Motor-vehicle in lieu - unrestricted					90,807	-	90,807
Use of money and property					1,299,405	-	1,299,405
Total general revenues					43,795,911	-	43,795,911
Change in net assets before extraordinary items:					9,858,114	625,329	10,483,443
Extraordinary items:							
Redevelopment agency receivable adjustments					(44,345,598)	-	(44,345,598)
Redevelopment agency dissolution transactions					102,562,238	-	102,562,238
Total extraordinary items					58,216,640	-	58,216,640
Change in net assets					68,074,754	625,329	68,700,083
Net assets - beginning					48,581,570	9,456,269	58,037,839
Net assets - ending					\$ 116,656,324	\$ 10,081,598	\$ 126,737,922

See report of independent auditors and notes to financial statements.

**City of Hawthorne
Balance Sheet
June 30, 2012**

	Special Revenue				Housing Asset	Other Governmental Funds	Total Governmental Funds
	General	South Bay Workforce Investment Board	Hawthorne Housing Authority				
Assets							
Cash and investments	\$ 5,956,640	\$ 2,003,287	\$ 1,801,683	\$ 695,540	\$ 7,343,173	\$ 17,800,323	
Cash with fiscal agent	-	-	-	-	1,669,495	1,669,495	
Receivables:							
Accounts	5,091,459	-	-	-	3,832,113	8,923,572	
Taxes	209,700	-	-	-	131,060	340,760	
Notes and loans	-	-	-	-	6,547,199	6,547,199	
Accrued interest	5,314	-	122	-	2,123	7,559	
Prepaid items	-	-	857,563	-	-	857,563	
Due from other governments	-	3,121,791	-	-	231,650	3,353,441	
Due from successor agency	-	-	-	7,292,810	-	7,292,810	
Due from other funds	4,617,759	-	-	-	-	4,617,759	
Advances to successor agency, net of uncollectible accounts of \$43,995,612	-	-	-	-	-	-	
Inventories	53,364	-	-	-	-	53,364	
Total assets	<u>\$ 15,934,236</u>	<u>\$ 5,125,078</u>	<u>\$ 2,659,368</u>	<u>\$ 7,988,350</u>	<u>\$ 19,756,813</u>	<u>\$ 51,463,845</u>	
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 804,907	\$ 4,434,217	\$ 870,781	-	1,263,458	\$ 7,373,363	
Accrued liabilities	950,355	134,778	27,056	-	58,918	1,171,107	
Deferred revenues	-	5,327	-	7,292,810	7,570,745	14,868,882	
Deposits payable	25,000	-	-	-	17,897	42,897	
Due to other funds	-	-	-	-	3,057,143	3,057,143	
Total liabilities	<u>1,780,262</u>	<u>4,574,322</u>	<u>897,837</u>	<u>7,292,810</u>	<u>11,968,161</u>	<u>26,513,392</u>	
Fund balances (deficits):							
Nonspendable							
Inventories	53,364	-	-	-	-	53,364	
Prepaid items	-	-	857,563	-	-	857,563	
Restricted	-	550,756	903,968	695,540	7,073,124	9,223,388	
Unassigned							
General fund	14,100,610	-	-	-	-	14,100,610	
Debt service fund	-	-	-	-	715,528	715,528	
Total fund balances	<u>14,153,974</u>	<u>550,756</u>	<u>1,761,531</u>	<u>695,540</u>	<u>7,788,652</u>	<u>24,950,453</u>	
Total liabilities and fund balances	<u>\$ 15,934,236</u>	<u>\$ 5,125,078</u>	<u>\$ 2,659,368</u>	<u>\$ 7,988,350</u>	<u>\$ 19,756,813</u>	<u>\$ 51,463,845</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, 2012

Fund balances of governmental funds	\$	24,950,453
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 of the governmental funds.		121,080,717
Investments in joint venture have not been included as financial resources of the governmental funds.		3,652,694
Bond issuance costs is an expenditure in the governmental funds, but it is a deferred charge in the Statement of Net Assets		114,342
Net pension assets 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.		24,178,780
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.		
Revenue bonds 2011 Series A	\$ (6,227,391)	
Pension obligation bonds	(23,795,000)	
SBRPCA 2007 bonds	(3,405,000)	
Section 108 loans payable	(4,725,000)	
Loans payable - West Basin	(72,647)	
Lease payable	(16,116,620)	
Capital lease payable	(66,657)	
Other postemployment benefits obligation	(5,514,860)	
Unamortized bond discount	80,754	
Unamortized bond premium	(824,910)	
Unamortized loss on bond defeasance	112,400	
Compensated absences	<u>(7,767,692)</u>	(68,322,623)
Deferred revenues are not available to pay for current expenditures and therefore, are deferred in the governmental funds but are recognized as revenues in the Statement of Activities.		13,944,597
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(1,325,691)
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.		<u>(1,616,945)</u>
Net assets of governmental activities	\$	<u><u>116,656,324</u></u>

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, 2012

	Special Revenue			Housing Asset	Other Governmental Funds	Total Governmental Funds
	General	South Bay Workforce Investment Board	Hawthorne Housing Authority			
Revenues						
Taxes	\$ 42,505,251	\$ -	\$ -	\$ -	\$ 5,433,951	\$ 47,939,202
Licenses and permits	1,226,858	-	-	-	48,463	1,275,321
Intergovernmental	2,678,640	16,958,977	11,303,296	-	8,336,205	39,277,118
Charges for services	1,778,277	-	-	-	201,624	1,979,901
Fines and forfeitures	2,128,287	-	-	-	311,702	2,439,989
Use of money and property	1,022,704	-	682	-	285,333	1,308,719
Contributions	1,079,694	-	-	-	-	1,079,694
Miscellaneous	2,709,846	-	6,713	-	4,203,515	6,920,074
Total revenues	<u>55,129,557</u>	<u>16,958,977</u>	<u>11,310,691</u>	<u>-</u>	<u>18,820,793</u>	<u>102,220,018</u>
Expenditures						
Current:						
General government	4,559,008	-	-	-	1,063,024	5,622,032
Public safety	36,491,194	-	-	-	433,516	36,924,710
Community development	1,755,103	16,977,370	10,969,574	-	1,343,862	31,045,909
Parks and recreation	1,496,645	-	-	-	-	1,496,645
Public works	4,354,571	-	-	-	6,201,552	10,556,123
Capital outlay	251,880	13,402	6,000	-	4,559,135	4,830,417
Debt Service:						
	6,807	-	-	-	2,686,436	2,693,243
Interest and fiscal charges	4,742	-	-	-	5,586,898	5,591,640
Total expenditures	<u>48,919,950</u>	<u>16,990,772</u>	<u>10,975,574</u>	<u>-</u>	<u>21,874,423</u>	<u>98,760,719</u>
Excess (deficiency) of revenues over expenditures	<u>6,209,607</u>	<u>(31,795)</u>	<u>335,117</u>	<u>-</u>	<u>(3,053,630)</u>	<u>3,459,299</u>
Other financing sources (uses)						
Capital lease proceeds	73,464	-	-	-	-	73,464
Transfers in	-	-	200,000	-	7,030,946	7,230,946
Transfers out	(2,418,923)	-	-	-	(4,812,023)	(7,230,946)
Net other financing sources (uses)	<u>(2,345,459)</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>2,218,923</u>	<u>73,464</u>
Change in fund balance before extraordinary items	3,864,148	(31,795)	535,117	-	(834,707)	3,532,763
Extraordinary items						
Uncollectible Accounts- Advances to the former Redevelopment Agency	(19,894,951)	-	-	-	-	(19,894,951)
Redevelopment Agency dissolution transactions	(4,300,000)	-	-	695,540	50,464,926	46,860,466
Total extraordinary items	<u>(24,194,951)</u>	<u>-</u>	<u>-</u>	<u>695,540</u>	<u>50,464,926</u>	<u>26,965,515</u>
Net change in fund balance	(20,330,803)	(31,795)	535,117	695,540	49,630,219	30,498,278
Fund balances, beginning	34,484,777	582,551	1,226,414	-	(41,841,567)	(5,547,825)
Fund balances, ending	<u>\$ 14,153,974</u>	<u>\$ 550,756</u>	<u>\$ 1,761,531</u>	<u>\$ 695,540</u>	<u>\$ 7,788,652</u>	<u>\$ 24,950,453</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, 2012**

Net changes in fund balances before extraordinary items - total governmental funds	\$	3,532,763
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.		1,257,434
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.		4,973,486
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.		(207,313)
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.		(353,674)
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 issued or incurred:		
Other postemployment benefits obligation	\$ (1,172,063)	
Capital lease proceeds	(73,464)	
Increase in compensated absences	(600,976)	
Principal repayments:		
Pension obligation bonds	1,535,000	
SBRPCA 2007 bond	115,000	
Section 108 loans payable	475,000.00	
Loans payable - West Basin	5,600	
Lease payable	555,836	
Capital leases payable	6,807	
Bond discount amortization	(3,735)	
Defeasance loss amortization	42,327	
Bond premium amortization	(9,367)	
Debt issuance costs amortization	<u>(302,529)</u>	573,436
Accrued interest for long-term debt. This is the net change in accrued interest for the current period.		(21,784)
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.		<u>103,766</u>
Change in net assets of governmental activities before extraordinary items	\$	<u><u>9,858,114</u></u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Airport	Sewer and Storm Drain	Total	Governmental Activities - Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 84,699	\$ -	\$ 84,699	\$ 2,721,522
Receivables				
Accounts	107,277	118,745	226,022	21,020
Notes and loans	-	-	-	-
Advances to other funds	-	-	-	310,000
Inventories	-	-	-	14,311
	191,976	118,745	310,721	3,066,853
Noncurrent assets:				
Capital assets - net of accumulated depreciation	8,239,385	2,487,807	10,727,192	1,219,181
Total noncurrent assets	8,239,385	2,487,807	10,727,192	1,219,181
	8,431,361	2,606,552	11,037,913	4,286,034
Liabilities				
Current liabilities:				
Accounts payable	37,354	34,055	71,409	686,358
Accrued liabilities	11,232	14,798	26,030	17,945
Unearned revenues	42,636	-	42,636	-
Deposits payable	20,208	-	20,208	-
Due to other funds	-	126,870	126,870	1,433,744
Compensated absences	19,000	-	19,000	10,104
Advances from other funds	310,000	-	310,000	-
Claims and judgments	-	-	-	560,000
	440,430	175,723	616,153	2,708,151
Noncurrent liabilities:				
Compensated absences	81,551	-	81,551	-
Claims and judgments	-	-	-	3,453,440
	81,551	-	81,551	3,453,440
	521,981	175,723	697,704	6,161,591
Net Assets				
Invested in capital assets, net of related debt	8,239,385	2,487,807	10,727,192	1,219,181
Unrestricted	(330,005)	(56,977)	(386,982)	(3,094,738)
	\$ 7,909,380	\$ 2,430,830	\$ 10,340,210	\$ (1,875,557)

Reconciliation of Net Assets to the Statement of Net Assets

Net assets per Statement of Net Assets - Proprietary Funds	\$ 10,340,210
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(261,690)
Current year's adjustments to reflect the consolidation of internal service activities related to enterprise funds	3,078
Net assets per Statement of Net Assets	\$ 10,081,598

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, 2012

	Airport	Sewer and Storm Drain	Total	Governmental Activities - Internal Service Funds
Operating revenues:				
Sales and service charges	\$ 656,032	\$ 1,569,367	\$ 2,225,399	\$ 3,869,400
Intergovernmental	216,256	-	216,256	-
Miscellaneous	3,026	-	3,026	121,142
Total operating revenues	875,314	1,569,367	2,444,681	3,990,542
Operating expenses:				
Administration and general	445,658	545,696	991,354	1,164,548
Materials and supplies	12,388	21,977	34,365	358,790
Contractual services	213,256	115,854	329,110	1,909,957
Cost of sales and services	20,292	54,344	74,636	-
Depreciation	325,087	67,878	392,965	450,403
Total operating expenses	1,016,681	805,749	1,822,430	3,883,698
Changes in net assets before transfers	(141,367)	763,618	622,251	106,844
Net assets			-	
Beginning of year	8,050,747	1,667,212	9,717,959	(1,982,401)
End of year	\$ 7,909,380	\$ 2,430,830	\$ 10,340,210	\$ (1,875,557)
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			\$ 622,251	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			3,078	
Change in net assets per Statement of Net Assets			\$ 625,329	

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2012

		Sewer and Storm Drain		Total	Governmental Activities -
	Airport				Internal Service Funds
Cash flows from operating activities					
Cash received from customers and users	\$ 787,400	\$ 1,580,559		\$ 2,367,959	\$ 3,983,962
Cash paid to suppliers for goods and services	(600,806)	(627,600)		(1,228,406)	(4,486,376)
Cash paid to employees for services	(381,889)	(501,358)		(883,247)	(432,740)
Net cash provided (used) by operating activities	<u>(195,295)</u>	<u>451,601</u>		<u>256,306</u>	<u>(935,154)</u>
Cash flows from noncapital financing activities					
Cash provided to other funds	(37,309)	-		(37,309)	-
Cash received from other funds	352,504	(451,601)		(99,097)	1,018,188
Net cash provided (used) by noncapital financing activities	<u>315,195</u>	<u>(451,601)</u>		<u>(136,406)</u>	<u>1,018,188</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(35,201)	-		(35,201)	(333,699)
Net cash provided (used) by capital and related financing activities	<u>(35,201)</u>	<u>-</u>		<u>(35,201)</u>	<u>(333,699)</u>
Net increase (decrease) in cash and cash equivalents	84,699	-		84,699	(250,665)
Cash and cash equivalents, beginning of year	-	-		-	2,972,187
Cash and cash equivalents, end of year	<u>\$ 84,699</u>	<u>\$ -</u>		<u>\$ 84,699</u>	<u>\$ 2,721,522</u>
 Reconciliation of operating income to net cash provided (used) by operating activities:					
Cash flows from operating activities					
Operating income (loss)	\$ (141,367)	\$ 763,618		\$ 622,251	\$ 106,844
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	325,087	67,878		392,965	450,403
Decrease (increase) in accounts receivable	(94,089)	11,192		(82,897)	(6,580)
Increase (decrease) in accounts payable	(284,109)	(393,082)		(677,191)	203,851
Increase (decrease) in deposits payable	6,175	-		6,175	-
Increase (decrease) in claims and judgments	-	-		-	(1,696,994)
Increase (decrease) in accrued liabilities and compensated absence:	(6,992)	1,995		(4,997)	7,322
Net cash provided (used) by operating activities	<u>\$ (195,295)</u>	<u>\$ 451,601</u>		<u>\$ 256,306</u>	<u>\$ (935,154)</u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Fiduciary Fund Assets and Liabilities
June 30, 2012

	Agency Fund	Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
ASSETS		
Cash and investments	\$ 3,976,105	\$ 9,362,656
Cash and investments with fiscal agents	7,231,057	1,085,584
Taxes receivable	581,595	-
Accounts receivable, net	28,070	629
Interest receivable	1,014	2,757
Bond issue costs (net of amortization)	-	1,575,583
Total assets	11,817,841	12,027,209
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	30,608	1,515,157
Accrued liabilities	621,000	-
Interest payable	-	731,520
Advances from City of Hawthorne	-	43,995,612
Deposits payable	839,675	27,215
Due to bondholders	10,326,558	-
Due to other governments	-	6,404,198
Due to City of Hawthorne	-	7,292,810
Long-term liabilities:		
Due within one year	-	1,440,000
Note payable	-	25,572,438
Bonds payable	-	39,925,000
Total liabilities	11,817,841	126,903,950
 Private Purpose Trust Fund Net assets (deficit)		 \$ (114,876,741)

See notes to financial statements.

City of Hawthorne
Statement of Changes in Fiduciary Net Assets
Year ended June 30, 2012

		Successor Agency to the Dissolved Redevelopment Agency <u>Private Purpose Trust Fund</u>
Additions:		
Taxes	\$	2,754,211
Use of money and property		192,609
Miscellaneous income		60,787
Total revenues		<u>3,007,607</u>
Deductions:		
General government		577,918
Community development		12,367,472
Debt service:		
Principal retirement		1,380,000
Interest and fiscal charges		996,720
Total expenditures		<u>15,322,110</u>
Excess (deficiency) of revenues over expenditures		<u>(12,314,503)</u>
Extraordinary item		
Redevelopment Agency dissolution transactions		<u>(102,562,238)</u>
Net change in net assets balances		(114,876,741)
Private purpose trust fund net assets at beginning of the year		<u>-</u>
Private purpose trust fund net assets (deficit) at end of year	\$	<u><u>(114,876,741)</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.

Housing Authority of the City of Hawthorne (Hawthorne Housing Authority)

The Housing Authority of the City of Hawthorne 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.

City of Hawthorne Redevelopment Agency

Since its formation in 1968 up to its dissolution on February 1, 2012, the City of Hawthorne Redevelopment Agency's (Agency) financial activity was reported as a component unit of the City. The Agency's primary purpose was to prepare and carry out plans for the improvement, rehabilitation, and development of blighted areas within territorial limits of the City of Hawthorne. The City Council appointed the Agency director and had full accountability for the Agency's fiscal matters. The Agency's financial data and transactions were included with the special revenue fund type, debt

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

service fund type, and capital projects fund type. Agency revenues consisted primarily of property tax allocations on the incremental increase of property values in the redevelopment area, and investment income. Pursuant to the provisions of ABX126, the City of Hawthorne Redevelopment Agency was dissolved and the Successor Agency to the Dissolved Redevelopment Agency (Successor Agency) was created, and all of the assets, liabilities and obligations of the former Agency were transferred to the Successor Agency on February 1, 2012.

The City of Hawthorne currently serves as the successor agency to the former redevelopment agency that is responsible for revenue collection, maintaining the bond reserves, disposing of excess property and fulfilling the obligations of the dissolved Agency.

Financial information for the Successor Agency is presented as a Private Purpose Trust Fund in the accompanying financial statements. 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 Fund which is 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.

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

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.

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.

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

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.

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 Hawthorne Housing Authority Special Revenue Fund accounts for the housing assistance programs for the qualified low-income residents.

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

- The Housing Asset Fund accounts for assets used for low and moderate income housing activities in accordance with the applicable housing-related regulations.

The City's fund structure also includes the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

Capital Projects and Debt Service Funds of the former Redevelopment Agency - account for the final seven months (July 1, 2011 through January 31, 2012) of the activity of the former Redevelopment Agency's capital projects and debt service funds. Debt Service Funds are used to account for the payment of interest and principal on the Agency's tax allocation bonds for each project area. Capital project funds are used to account for all costs of implementing redevelopment projects in accordance with the California Redevelopment Law. The principal sources of revenue of these funds are incremental property taxes and investment income.

Fiduciary Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds. The City has the following Fiduciary Funds:

- *Agency Fund* - This fund accounts for money and property held by the City as trustee or custodian. 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.
- *Facility District Fund* – This fund accounts for all the revenues and expenses related to the Community Facilities District set up by the former redevelopment agency in 1992.
- *Successor Agency Private Purpose Trust Fund* - Private Purpose Trust Fund is a fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities and activities of the Successor Agency to the Dissolved Hawthorne Redevelopment Agency. Unlike the limited reporting typically utilized for Agency Fund, Private-purpose Trust Fund reports a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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.

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

- The *Sewer and Storm Drain Fund* accounts for the operation of the City's sewer services.

Additionally, the City reports the following fund type:

- *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.

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

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions* 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. All special revenue funds are classified as restricted.

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, 2012.

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, 2012.

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

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.

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, 2012. 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.

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

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). 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.

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.

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

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

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

Capital Assets

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.

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.

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

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.

Employee Compensated Absences

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, 2012:

Fund	Amount
Nonmajor governmental funds:	
Special Revenue Funds:	
Street Lighting	\$ (316,698)
Street	(60,224)
California Office of Traffic Safety	(73,530)
Local Law Enforcement Block Grant	(35,264)
Proposition A	(814,582)
Community Development Block Grant	(399,588)
HOME Grant	(54,115)
ABC Grant Assistance Program	(6,232)
Debt Service Fund:	
CIEDB Police Facility Lease Obligation	(12,404)
Internal Service Funds:	
Insurance Reserve	(5,946,880)

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Appropriations

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

Fund	Expenditures	Appropriations	Excess
Major governmental funds:			
General fund:			
City manager	\$ 501,552	\$ 497,819	\$ 3,733
City attorney	225,976	225,750	226
Planning	328,787	328,586	201
Capital outlay	251,880	228,496	23,384
South Bay Workforce Investment Board			
Community development	16,977,370	15,561,634	1,415,736
Nonmajor Governmental Funds:			
Special Revenue:			
California Office of Traffic Safety:			
Public safety	30,820	-	30,820
Proposition A:			
Public Works	1,267,432	1,263,736	3,696
Air Quality:			
Community Development	104,679	103,840	839
Community Development Block Grant:			
Community Development	836,723	803,294	33,429
HPRP Fund:			
Public works	29,514	-	29,514

NOTE 3 CASH AND INVESTMENTS

As of June 30, 2012, cash and investments were reported in the accompanying financial statements as follows:

	Government-wide Statement of Net Assets	Fiduciary Fund Statement of Net Assets		Total
		Successor Agency	Other Agency	
Unrestricted assets				
Cash and investments	\$ 20,606,544	\$ 9,362,656	\$ 3,976,105	\$ 33,945,305
Restricted assets				
Cash and investments with fiscal agents	1,669,495	1,085,584	7,231,051	9,986,130
Total cash and investments	<u>\$ 22,276,039</u>	<u>\$ 10,448,240</u>	<u>\$ 11,207,156</u>	<u>\$ 43,931,435</u>

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments at June 30, 2012, consisted of the following:

Cash on hand	\$	4,836
Deposits with financial institutions		19,974,925
Investments		23,951,674
Total cash and investments	\$	43,931,435

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, 2012, the carrying amount of the City's deposits was \$19,974,925 and the bank balance was \$18,618,882. The \$1,356,043 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, 2012:

Investment Type	Amount	Minimum Legal Rating	AAA	AA+	AA-	A+	A-	Not Rated
State investment pool	\$ 12,754,735	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,754,735
Money market	1,008,117	N/A	1,008,117	-	-	-	-	-
Certificates of deposits	202,686	N/A	-	-	-	-	-	202,686
Held by fiscal agent:								
Money market funds	8,515,858	N/A	8,515,858	-	-	-	-	-
Investment agreements	1,470,278	N/A	-	-	-	-	-	1,470,278
Total	<u>\$ 23,951,674</u>		<u>\$ 9,523,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,427,699</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, 2012, 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, 2012, there are no investments in any one issuer that represents 5% or more of the total City's investments. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2012, 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	\$ 12,754,735	\$ 12,754,735	\$ -	\$ -
Money market	1,008,117	1,008,117	-	-
Certificates of deposits	202,686	-	202,686	-
Held by fiscal agent:				
Money market funds	8,515,858	8,515,858	-	-
Investment agreements	1,470,278	-	-	1,470,278
	<u>\$ 23,951,674</u>	<u>\$ 22,278,710</u>	<u>\$ 202,686</u>	<u>\$ 1,470,278</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, 2012 follows:

	Beginning Balance, July 1, 2011	Additions	Deletions/ Transfers	Ending Balance, June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,748,529	\$ 861,456	\$ -	\$ 8,609,985
Construction in progress	1,050,274	-	(1,050,274)	-
Total capital assets not being depreciated	<u>8,798,803</u>	<u>861,456</u>	<u>(1,050,274)</u>	<u>8,609,985</u>
Capital assets being depreciated:				
Structures and improvements	56,747,612	82,313	-	56,829,925
Machinery and equipment				
City	17,612,901	182,630	-	17,795,531
Equipment replacement	6,331,607	338,813	(212,348)	6,458,072
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	109,009,049	5,880,274	-	114,889,323
Total capital assets being depreciated	<u>206,060,723</u>	<u>6,484,030</u>	<u>(212,348)</u>	<u>212,332,405</u>
Less accumulated depreciation for:				
Structures and improvements	(17,959,907)	(1,744,250)	-	(19,704,157)
Machinery and equipment				
City	(17,043,915)	(217,811)	-	(17,261,726)
Equipment replacement	(4,995,723)	(450,403)	207,236	(5,238,890)
Parking Authority - structures	(13,721,029)	(408,989)	-	(14,130,018)
Infrastructure	(39,979,785)	(2,327,916)	-	(42,307,701)
Total accumulated depreciation	<u>(93,700,359)</u>	<u>(5,149,369)</u>	<u>207,236</u>	<u>(98,642,492)</u>
Capital assets being depreciated, net	<u>112,360,364</u>	<u>1,334,661</u>	<u>(5,112)</u>	<u>113,689,913</u>
Governmental activities				
Capital assets, net	<u>\$ 121,159,167</u>	<u>\$ 2,196,117</u>	<u>\$ (1,055,386)</u>	<u>\$ 122,299,898</u>

NOTE 4 CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance, July 1, 2011</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance, June 30, 2012</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated:				
Land	\$ 37,314	\$ -	\$ -	\$ 37,314
Total capital assets not being depreciated	<u>37,314</u>	<u>-</u>	<u>-</u>	<u>37,314</u>
Capital assets being depreciated:				
Structures and improvements	1,757,723	19,967	-	1,777,690
Machinery and equipment	28,130	-	-	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>25,434,645</u>	<u>19,967</u>	<u>-</u>	<u>25,454,612</u>
Less accumulated depreciation for:				
Structures and improvements	(1,418,612)	(55,339)	-	(1,473,951)
Machinery and equipment	(23,229)	(1,672)	-	(24,901)
Infrastructure				
Airport	(2,559,843)	(268,076)	-	(2,827,919)
Storm and sewer drain	(10,370,085)	(67,878)	-	(10,437,963)
Total accumulated depreciation	<u>(14,371,769)</u>	<u>(392,965)</u>	<u>-</u>	<u>(14,764,734)</u>
Capital assets being depreciated, net	<u>11,062,876</u>	<u>(372,998)</u>	<u>-</u>	<u>10,689,878</u>
Business-type activities				
Capital assets, net	<u>\$ 11,100,190</u>	<u>\$ (372,998)</u>	<u>\$ -</u>	<u>\$ 10,727,192</u>

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

Governmental activities:

	<u>Amount</u>
General government	\$ 650,603
Public safety	1,232,560
Public works	2,563,969
Community development	72,124
Parks and recreation	179,710
Internal service fund - equipment replacement	450,403
Total depreciation expense - governmental activities	<u>\$ 5,149,369</u>

Business-type activities:

Airport	\$ 325,087
Sewer and storm drain	67,878
	<u>\$ 392,965</u>

NOTE 5 INTERFUND ACTIVITY

The following represents the City's interfund activity for the fiscal year ended June 30, 2012.

Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the year. The following is a summary of current interfund balances as of June 30, 2012:

Receivable Fund	Amount	Payable Fund	Amount
Major Funds:		Nonmajor Funds:	
General	\$ 4,617,759	Street Lighting	\$ 305,286
		California Office of Traffic Safety	24,362
		Proposition A	585,510
		Community Development Block Grant	1,396,108
		ABC Grant Assistance Program	5,832
		State Homeland Security Grant	359,980
		Urban Security Initiative Grant	43,045
		Hawthorne Blvd Mobility Improvement	100,430
		Public Finance Authority	224,186
		CIEDB Police Facility Lease Obligation	12,404
		Proprietary Fund:	
		Sewer Fund	126,872
		Internal Service Fund:	
		Insurance Reserve	1,433,744
Totals	\$ 4,617,759		\$ 4,617,759

Advances to Successor Agency

Receivable Fund	Payable Fund	Amount
General	Successor Agency Private	
	Private Purpose Trust Fund	\$ 43,995,612

In prior fiscal years, the City of Hawthorne advanced money to the Former Redevelopment Agency to cover the cost of operations. In June 2011, AB X1 26 dissolved the former Redevelopment Agency, effective (after some litigation on the matter) February 1, 2012. As part of the dissolution process set forth in that bill and a later bill clarifying and modifying the terms of the dissolution (Assembly Bill 1484, adopted in June 2012), the existing loan from the City to the Agency was considered by the Department of Finance to be unenforceable. The successor agency to the former redevelopment agency has sought reconsideration by the Department of Finance as to the enforceability of the loan. In addition, the loan may be reinstated (but is not required to be) under Assembly Bill 1484 following the completion of a due diligence process and issuance of Finding of Completion by the Department of finance. In compliance with the provisions of Section 34191.4(2) of AB1484, interest receivable was recalculated using interest rates earned by funds deposited into the Local Agency Investment Fund (LAIF) resulting to a reduction in interest receivable

NOTE 5 INTERFUND ACTIVITY (CONTINUED)

by \$10.7 million. The full amount of the loan of \$43,995,612 (including \$24,100,661 of adjusted accrued interest) has been reserved to reflect the uncertainty of collection as of June 30, 2012.

Interfund Transfers

<u>Funds</u>	<u>Transfer in</u>	<u>Transfer out</u>
Major Governmental Funds:		
General	\$ -	\$ 2,418,923
Hawthorne Housing Authority	200,000	
Nonmajor Governmental Funds:		
Street	1,704,524	-
Capital Projects Fund -		
Community Redevelopment Agency	1,853,333	-
Debt Service Fund -		
Community Redevelopment Agency	1,254,166	3,107,499
Public Finance Authority	722,943	-
CIEDB Police Facility Lease Obligation	1,223,096	-
SBRPCA 2007 Series B Bond	272,884	
Gas Tax	-	1,704,524
Totals	\$ <u>7,230,946</u>	\$ <u>7,230,946</u>

The transfer from the general fund to the Housing authority in the amount of \$200,000 was to reimburse the Housing Authority for a loan made in prior years.

The transfer from the general fund to nonmajor funds of \$2,218,923 was for debt service on the 1997 COP bonds in the amount of \$722,943, for debt service on the loan to build the police facility in the amount of \$1,223,096, and for debt service on the 2006 SBRPCA bonds in the amount of \$272,884.

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

NOTE 6 LONG-TERM DEBT

The following is a summary of the changes in long-term debt of the City for the year ended June 30, 2012:

	Balance at July 1, 2011	Additions	Retirements	Balance at June 30, 2012	Amount due within one year
Governmental Funds:					
Compensated absences	\$ 7,166,715	\$ 1,899,187	\$ 1,298,211.00	\$ 7,767,691	\$ 1,400,000
Other postemployment benefits obligation	4,342,797	3,217,964	2,045,901	5,514,860	-
Capital leases payable	-	73,464	6,807	66,657	16,335
Revenue bonds - 2011 Series A	6,227,391	-	-	6,227,391	454,939
Lease payable - police facility	16,672,456	-	555,836	16,116,620	578,458
Loan payable - West Basin	78,247	-	5,600	72,647	5,883
Section 108 loan payable	5,200,000	-	475,000	4,725,000	485,000
SBRPCA 2007 Series B Bond	3,520,000	-	115,000	3,405,000	120,000
2005 Pension Obligation Bonds	25,330,000	-	1,535,000	23,795,000	1,720,000
Total Governmental Funds	<u>68,537,606</u>	<u>5,190,615</u>	<u>6,037,355</u>	<u>67,690,866</u>	<u>4,780,615</u>
Internal Service Funds:					
Claims and judgments	5,710,435	278,564	1,975,558	4,013,441	560,000
Compensated absences	3,165	6,939	-	10,104	-
Total Internal Service Funds	<u>5,713,600</u>	<u>285,503</u>	<u>1,975,558</u>	<u>4,023,545</u>	<u>560,000</u>
Total Governmental long-term obligations	<u>\$ 74,251,206</u>	<u>\$ 5,476,118</u>	<u>\$ 8,012,913</u>	<u>\$ 71,714,411</u>	<u>\$ 5,340,615</u>
Less:					
				(80,754)	
				824,910	
				(112,400)	
Total governmental funds long term debt				<u>\$ 72,346,167</u>	
Business-Type Funds:					
Compensated absences	<u>\$ 105,268</u>	<u>\$ -</u>	<u>\$ 4,717</u>	<u>\$ 100,551</u>	<u>\$ 19,000</u>

Compensated Absences

As discussed in Note 1 of the financial statements for governmental fund types, the City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) that exceeds expendable, available financial resources is reported in long-term debt. The accrual is calculated in accordance with GASB Code Section C60.109. 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.

Capital Lease Payable

During FY 2012, the City has entered into a capital lease to acquire equipment. These assets have been capitalized with the obligation shown in the statement of net assets. The following is a schedule by years of future minimum lease payments under the capital lease agreement as of June 30, 2012:

Year ending June 30	Principal
2013	\$ 16,335
2014	16,335
2015	16,335
2016	16,335
2017	9,529
Total payments	74,869
Less: amount representing interest	8,212
Outstanding Principal, June 30, 2012	\$ 66,657

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 a summary of the debt service requirements to maturity:

Year Ending June 30,	2011 A Revenue Bonds	
	Principal	Interest
2013	\$ 454,939	\$ 263,874
2014	478,400	254,627
2015	495,939	244,225
2016	518,184	232,416
2017	540,077	219,154
2018-2022	3,048,350	840,376
2023-2027	691,502	51,263
Total	\$ 6,227,391	\$ 2,105,935

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 debt service requirements to maturity for the lease obligation as of June 30:

Year Ending June 30,	Lease Payable Police Facility	
	Principal	Interest
2013	\$ 578,458	\$ 644,175
2014	602,002	620,152
2015	626,503	595,152
2016	652,002	569,135
2017	678,538	542,058
2018-2022	3,827,116	2,263,965
2023-2027	4,678,625	1,401,250
2028-2032	4,473,376	373,209
Total	\$ 16,116,620	\$ 7,009,096

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, 2012 was \$72,647. The total debt service requirements to maturity as of June 30, 2012, are as follows:

NOTE 6 LONG-TERM DEBT (CONTINUED)

Year Ending June 30,	Loan Payable West Basin	
	Principal	Interest
2013	\$ 5,883	\$ 3,597
2014	6,183	3,297
2015	6,500	2,980
2016	6,834	2,646
2017	7,184	2,297
2018-2022	40,063	5,537
Total	\$ 72,647	\$ 20,354

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 to maturity as of June 30, 2012, are as follows:

Year Ending June 30,	Section 108 Loan	
	Principal	Interest
2013	\$ 485,000	\$ 251,240
2014	355,000	230,187
2015	355,000	211,958
2016	355,000	193,232
2017	355,000	173,991
2018-2022	1,775,000	568,966
2023-2027	1,045,000	92,631
Total	\$ 4,725,000	\$ 1,722,205

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 to maturity are as follows:

Year Ending June 30,	SBRPCA 2007 B Refunding Revenue Bonds	
	Principal	Interest
2013	\$ 120,000	\$ 153,283
2014	125,000	148,483
2015	130,000	143,483
2016	135,000	138,120
2017	140,000	132,551
2018-2022	795,000	568,653
2023-2027	990,000	372,518
2028-2031	970,000	118,037
Total	\$ 3,405,000	\$ 1,775,128

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 maturity to amortize the 2005 Pension Obligation Bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	2005 Pension Obligation Bonds	
	Principal	Interest
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	2,590,000	786,822
2018-2022	13,090,000	1,714,902
Total	\$ 23,795,000	\$ 6,719,604

Claims and Judgments

As of June 30, 2012, 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, 2012, total estimated claims payable were \$4,013,441.

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, 2012, the bonds outstanding from these Community Facility Districts totaled \$12,530,000.

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, 2012, the bonds outstanding from this Community Facility District totaled \$3,610,000.

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

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, 2012, the bonds outstanding from this Community Facility District totaled \$13,915,000.

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.

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, 2012, the Special Tax Refunding Bonds outstanding totaled \$5,540,000.

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 15.354% for miscellaneous employees and 19.628% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

The City annual pension cost and change in net pension asset for fiscal year ending June 30, 2012, were as follows:

Annual Required Contribution	\$	6,720,248
Interest on net pension asset		(1,839,934)
Adjustment to Annual Required Contribution		<u>2,193,608</u>
Annual pension cost		7,073,922
Annual contributions made		<u>6,720,248</u>
Increase (decrease) in net pension asset		(353,674)
Net pension asset, beginning of year		<u>24,532,454</u>
Net pension asset, end of year	\$	<u><u>24,178,780</u></u>

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

NOTE 8 RETIREMENT PLANS (CONTINUED)

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	24 years as of the Valuation
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative)
Projected Salary Increase	3.30% to 14.20% depending on age, service
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% 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.

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2010	\$ 6,200,000	95.2%	\$ (24,828,322)
6/30/2011	6,100,000	95.2%	(24,532,454)
6/30/2012	7,100,000	95.0%	(24,178,780)

For fiscal year 2011-2012, 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.

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.

NOTE 9 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (CONTINUED)

Funding Policy

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

The required contribution is based on a pay-as-you-go financing requirement with additional amounts to prefund benefits as determined by the City under an actuarial valuation. For fiscal year 2011-2012, 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 2011-2012, the City contributed \$2,045,901 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		217,140
Adjustments to Annual Required Contribution		<u>(193,904)</u>
Annual OPEB Cost		3,217,964
Annual Contribution Made		<u>2,045,901</u>
Increase (decrease) in Net OPEB Obligation		1,172,063
Net OPEB Obligation, beginning of year		<u>4,342,797</u>
Net OPEB Obligation, end of year	\$	<u><u>5,514,860</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 2011-2012 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
6/30/2010	\$ 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
6/30/2012	3,217,964	2,045,901	63.58%	5,514,860

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. The actuarial valuation date report dated March 1, 2009, was the latest report available. A new actuarial report will be available in the latter part of calendar year 2013.

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 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 except the fiduciary funds 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 \$4,013,441 reported in the Insurance Reserve Fund at June 30, 2012, 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 Insurance Reserve Fund's claims liability amounts in the fiscal years 2012 and 2011, were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2010-2011	\$ 4,883,235	\$ 1,387,200	\$ (560,000)	5,710,435
2011-2012	5,710,435	278,564	(1,975,558)	4,013,441

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

Set forth below are commitments and contingencies pertaining to the former Hawthorne Redevelopment Agency, which have been assumed by the Successor Agency. 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 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 2011-2012, the City was assessed \$2,657,757, which was paid to SBRPCA for the operations and maintenance of the consolidated regional public safety services communications system that SBRPCA provides to its member cities.

As of and for the year ended June 30, 2012, SBRPCA's audited financial information is as follows:

South Bay Regional Public Communication Authority

Net Assets

Total assets	\$	10,730,397
Total liabilities		1,030,319
Total net assets	\$	9,700,078

South Bay Regional Public Communication Authority

Changes in net assets:

Operating revenues	\$	8,273,036
Operating expenses		8,351,297
Operating income (loss)		(78,261)
Nonoperating revenues (expenses)		(526,462)
Change in net assets		(604,723)
Beginning net assets		10,304,801
Ending net assets	\$	9,700,078

NOTE 12 JOINT VENTURE (CONTINUED)

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.

SBWIB ended its affiliation with the City of Hawthorne on December 18, 2012 and has since become part of the City of Inglewood.

On December 29, 2011, the California Supreme Court upheld Assembly Bill IX 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Hawthorne that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

NOTE 13 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies are to only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private purpose trust fund) in the financial statements of the City.

The Bill allowed the sponsoring community that formed the redevelopment agency to elect to assume the housing functions and take over certain assets of the former Low and Moderate Income Housing fund of the dissolved redevelopment agency. The City established Hawthorne Housing Authority to be the housing successor agency.

NOTE 13 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (except for certain assets of the former Low and Moderate Income Housing fund, which were transferred to the Hawthorne Housing Authority Fund) from governmental funds of the City to fiduciary funds was reported as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary gain that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Extraordinary gain reported in governmental funds due to the following:	
Net assets of Successor Agency Trust Fund	\$ (46,860,466)
Accrued bond interest previously reported in the government-wide financial statements - assumed by the Successor Agency Trust Fund	(754,792)
Long-term liabilities reported in the government-wide financial statements - assumed by the Successor Agency Trust Fund	(67,298,438)
Write-off of Accrued Interest Related to Advances to City of Hawthorne	10,706,883
Deferred bond costs assets previously recorded in the government-wide financial statements increase in net assets of the Successor Agency Trust Fund	1,644,575
Net decrease to net assets of the Successor Agency Trust Fund (amount of extraordinary gain reported in the Government-wide Statement of Activities of the City)	\$ (102,562,238)

The Low and moderate income housing fund of the former redevelopment agency transferred loans in the amount of \$300,882, SERAF loans in the amount of \$3,170,236 and Hawthorne Plaza Project in the amount of \$3,821,692 to the City of Hawthorne as the Housing Successor Agency on February 1, 2012 as authorized by Health and Safety Code Section 34176(a)(2).

NOTE 13 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

Disclosure of Successor Agency Debts

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Balance at July 1, 2011	Additions	Retirements	Balance at June 30, 2012	Due within one year
Note payable	\$ 24,553,438	\$ 1,125,000	\$ 106,000	\$ 25,572,438	\$ -
Tax Allocation Bonds	42,745,000	-	1,380,000	41,365,000	1,440,000
Total	\$ 67,298,438	\$ 1,125,000	\$ 1,486,000	\$ 66,937,438	\$ 1,440,000

Balance at
June 30, 2012

Tax Allocation Bonds

Hawthorne Plaza Project Area No. 1:

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 March 1 and September 1. Principal payments ranging from \$145,000 to \$410,000 are due annually on September 1, beginning in the year 2003 through the year 2020.

\$ 2,880,000

Subtotal Hawthorne Plaza Project Area No. 1 2,880,000

Redevelopment Project Area 2:

1998 Tax Allocation Refunding Bonds

The 1998 Tax Allocation Refunding Bonds bear interest 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.

6,610,000

NOTE 13 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

2004 Tax Allocation Refunding Bonds

December 2004 Project Area II Tax Allocation Refunding Bonds, Series 2004 issued for the purpose of refunding, 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 semi-annually beginning March 1, 2005. Principal payments ranging from \$75,000 to \$330,000 are due annually on September 1, beginning in the year 2007 through 2024.

3,385,000

2006 Tax Allocation Bonds

July 2006 Project Area No. 2 Tax Allocations Bonds, Series 2006 issued to (a) to prepay the Public Funding Requirement with SAMS Ventures, LLC, (b) provide for capitalized interest on the bonds, (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 a annual maturity dates from September 1, 2011 through September 1, 2016, bearing interest ranging from 4.0% to 4.125%; \$9,845,000 term bonds bearing interest of 5.0% and maturing September 1, 2026; and \$15,650,000 term bonds bearing interest of 5.2% and maturing September 1, 2036.

28,490,000

Subtotal Redevelopment Project Area 2 38,485,000

**Total Tax Allocation
Bonds Payable** \$ 41,365,000

NOTE 13 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

Note 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 note owed by the Agency (the Costco note) for approximately \$7,000,000. In return, the Agency executed a promissory note to the developers for \$12,500,000. Sources for repayment of this note consist of Mello-Roos tax refunds, sales tax and transient occupancy tax refunds to the extent these taxes are generated within the project site.

\$ 25,572,438

Debt Service Requirements to Maturity

The following schedule summarizes the debt service to maturity requirements for bonds outstanding as of June 30, 2012:

Year Ending June 30,	1998 Tax Allocation Refunding Bonds		2001 Tax Allocation Refunding Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 365,000	\$ 321,375	\$ 245,000	\$ 187,188
2014	390,000	302,500	260,000	171,406
2015	410,000	282,500	275,000	153,828
2016	430,000	261,500	295,000	134,234
2017	455,000	239,375	315,000	113,266
2018-2022	2,630,000	825,000	1,490,000	213,469
2023-2027	1,930,000	147,750	-	-
Total	<u>\$ 6,610,000</u>	<u>\$ 2,380,000</u>	<u>\$ 2,880,000</u>	<u>\$ 973,391</u>

NOTE 13 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

Year Ending June 30,	2004 Tax Allocation Refunding Bonds		2006 Tax Allocation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 210,000	\$ 136,739	\$ 620,000	\$ 1,418,581
2014	215,000	129,196	645,000	1,393,281
2015	225,000	121,271	670,000	1,366,981
2016	230,000	112,653	695,000	1,339,681
2017	235,000	103,643	725,000	1,310,828
2018-2022	1,330,000	361,015	4,165,000	5,979,000
2023-2027	940,000	65,025	5,320,000	4,798,875
2028-2032	-	-	6,830,000	3,248,438
2033-2037	-	-	8,820,000	1,204,874
Total	<u>\$ 3,385,000</u>	<u>\$ 1,029,542</u>	<u>\$ 28,490,000</u>	<u>\$ 22,060,539</u>

NOTE 14 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2012 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 29, 2013, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

NOTE 15 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2012, that have effective dates that may impact future financial statements presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the City.

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

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.

GASB No. 65 - *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The requirements of this Statement are intended to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

NOTE 16 CALIFORNIA PUBLIC EMPLOYEES' PENSION REFORM ACT

After spending close to a year exploring and debating reforms to public pension systems in California, lawmakers in Sacramento passed Assembly Bill 340 (AB 340) on August 31, 2012. AB 340 known as the California Public Employees' Pension Reform Act of 2013 (PEPRA) which amends various provisions of the Public Employees' Retirement Law (PERL) and County Employee's Retirement Law of 1937 (CERL), was signed into law by the Governor on September 12, 2012. PEPRA will take effect on January 1, 2013. Management asserts that PEPRA will not have a significant impact on the City's June 30, 2012 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Hawthorne
Budgetary Comparison by Department
General Fund
Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 40,579,000	\$ 40,579,000	\$ 42,505,251	\$ 1,926,251
Licenses and permits	1,390,000	1,390,000	1,226,858	(163,142)
Intergovernmental	2,411,995	2,549,115	2,678,640	129,525
Charges for services	1,501,641	1,501,641	1,778,277	276,636
Fines and forfeitures	2,860,500	2,860,500	2,128,287	(732,213)
Use of money and property	350,000	350,000	1,022,704	672,704
Contributions	1,075,000	1,075,000	1,079,694	4,694
Miscellaneous	2,585,729	2,585,729	2,709,846	124,117
Total Revenues	<u>52,753,865</u>	<u>52,890,985</u>	<u>55,129,557</u>	<u>2,238,572</u>
Expenditures				
Current:				
General government				
Mayor and city council	3,043,487	3,143,384	3,129,886	13,498
City clerk	205,857	205,157	167,614	37,543
City manager	497,819	497,819	501,552	(3,733)
City treasurer	10,814	10,814	10,249	565
City attorney	227,500	225,750	225,976	(226)
Administrative services	630,760	628,742	475,505	153,237
Licensing and code enforcement	106,044	105,044	48,226	56,818
Public safety				
Police	29,716,778	29,561,078	29,055,412	505,666
Fire services contract	8,258,594	8,154,097	7,435,782	718,315
Community development				
Planning	328,586	328,586	328,787	(201)
Building and safety	1,474,663	1,474,663	1,426,316	48,347
Parks and recreation	1,572,330	1,570,728	1,496,645	74,083
Public works	4,575,550	4,502,174	4,354,571	147,603
Capital outlay	-	228,496	251,880	(23,384)
Debt Service:				
Principal payment	-	7,000	6,807	193
Interest & Fiscal Charges	-	5,000	4,742	258
Total Expenditures	<u>50,648,782</u>	<u>50,648,532</u>	<u>48,919,950</u>	<u>1,728,582</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,105,083</u>	<u>2,242,453</u>	<u>6,209,607</u>	<u>509,990</u>
Other Financing Sources (Uses)				
Capital lease proceeds	-	-	73,464	73,464
Transfers In	-	-	-	-
Transfers Out	(2,208,628)	(2,208,628)	(2,418,923)	210,295
Total Other Financing Sources (Uses)	<u>(2,208,628)</u>	<u>(2,208,628)</u>	<u>(2,345,459)</u>	<u>283,759</u>
Change in fund balance before extraordinary items	(103,545)	33,825	3,864,148	793,749
Extraordinary items				
Uncollectible Accounts- Advances to the former Redevelopment Agency	-	-	(19,894,951)	(19,894,951)
Redevelopment Agency dissolution transactions	-	-	(4,300,000)	(4,300,000)
Total extraordinary items	<u>-</u>	<u>-</u>	<u>(24,194,951)</u>	<u>(24,194,951)</u>
Net change in fund balance	<u>(103,545)</u>	<u>33,825</u>	<u>(20,330,803)</u>	<u>(20,364,628)</u>
Fund Balances, Beginning	<u>34,484,777</u>	<u>34,484,777</u>	<u>34,484,777</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 34,381,232</u>	<u>\$ 34,518,602</u>	<u>\$ 14,153,974</u>	<u>\$ (20,364,628)</u>

City of Hawthorne
Budgetary Comparison by Department
South Bay Workforce Investment Board
Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 15,616,634	\$ 15,616,634	\$ 16,958,977	\$ 1,342,343
Total Revenues	<u>15,616,634</u>	<u>15,616,634</u>	<u>16,958,977</u>	<u>1,342,343</u>
Expenditures				
Current:				
Community Development	15,561,634	15,561,634	16,977,370	(1,415,736)
Capital Outlay	<u>55,000</u>	<u>55,000</u>	<u>13,402</u>	<u>41,598</u>
Total Expenditures	<u>15,616,634</u>	<u>15,616,634</u>	<u>16,990,772</u>	<u>(1,374,138)</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(31,795)	(31,795)
Fund Balances, Beginning	<u>582,551</u>	<u>582,551</u>	<u>582,551</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 582,551</u>	<u>\$ 582,551</u>	<u>\$ 550,756</u>	<u>\$ (31,795)</u>

City of Hawthorne
Budgetary Comparison by Department
Hawthorne Housing Authority
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 11,488,319	\$ 11,488,319	\$ 11,303,296	\$ (185,023)
Investment income	5,000	5,000	682	(4,318)
Other revenue	20,000	20,000	6,713	(13,287)
Total Revenues	<u>11,513,319</u>	<u>11,513,319</u>	<u>11,310,691</u>	<u>(202,628)</u>
Expenditures				
Community Development	11,304,411	11,295,778	10,969,574	326,204
Capital outlay	-	8,633	6,000	2,633
Total Expenditures	<u>11,304,411</u>	<u>11,304,411</u>	<u>10,975,574</u>	<u>328,837</u>
Excess (Deficiency) of Revenues over Expenditures	<u>208,908</u>	<u>208,908</u>	<u>335,117</u>	<u>126,209</u>
Other financing sources (uses)				
Transfers in	-	-	200,000	200,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Net change in fund balance	208,908	208,908	535,117	326,209
Fund Balances, Beginning	<u>1,226,414</u>	<u>1,226,414</u>	<u>1,226,414</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,435,322</u>	<u>\$ 1,435,322</u>	<u>\$ 1,761,531</u>	<u>\$ 126,209</u>

City of Hawthorne
Schedule of Funding Progress
Year ended June 30, 2012

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*
6/30/2009	\$ 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%
6/30/2011	10,951,745,049	9,135,654,246	1,816,090,803	83.4%	949,833,090	191.2%

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*
6/30/2009	\$ 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%
6/30/2011	149,890,636	133,604,208	16,286,428	89.1%	14,697,381	110.8%

*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, 2012 is not yet available.

SUPPLEMENTARY INFORMATION

	Special Revenue						
	Street Lighting	Gas Tax	Street	Asset Forfeiture	COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant
Assets							
Cash and investments	\$ -	\$ 1,129,751	\$ 79,713	\$ 363,752	\$ 24,473	\$ -	\$ 17,768
Cash with Fiscal Agent	-	-	-	-	-	-	-
Receivables:							
Accounts	-	248,697	36,000	43,426	-	-	80,379
Taxes	39,673	-	12,721	-	78,666	-	-
Notes and loans	-	-	-	-	-	-	-
Accrued interest	-	389	-	115	9	-	10
Due from other governments	-	-	-	-	-	-	-
Total Assets	\$ 39,673	\$ 1,378,837	\$ 128,434	\$ 407,293	\$ 103,148	\$ -	\$ 98,157
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 49,675	\$ 231,504	\$ 159,157	\$ 8,324	\$ -	\$ -	\$ 375
Accrued liabilities	1,410	-	29,501	-	-	-	14,897
Deferred revenues	-	-	-	305,407	-	49,168	118,149
Deposits payable	-	-	-	-	-	-	-
Due to other funds	305,286	-	-	-	-	24,362	-
Total Liabilities	356,371	231,504	188,658	313,731	-	73,530	133,421
Fund balances:							
Restricted	(316,698)	1,147,333	(60,224)	93,562	103,148	(73,530)	(35,264)
Debt service fund	-	-	-	-	-	-	-
Total fund balances	(316,698)	1,147,333	(60,224)	93,562	103,148	(73,530)	(35,264)
Total Liabilities and Fund Balances	\$ 39,673	\$ 1,378,837	\$ 128,434	\$ 407,293	\$ 103,148	\$ -	\$ 98,157

**City of Hawthorne
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

Special Revenue						
MTA Measure R	Proposition A	Proposition C	Federal Stimulus	Air Quality	Community Development Block Grant	American Down Payment Dream Program
\$ 1,488,439	\$ -	\$ 98,229	\$ -	\$ 174,843	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	26,275	1,144,380	-
-	-	-	-	-	-	-
-	-	-	-	-	4,302,708	15,600
482	-	76	-	61	-	-
-	-	-	-	-	231,650	-
<u>\$ 1,488,921</u>	<u>\$ -</u>	<u>\$ 98,305</u>	<u>\$ -</u>	<u>\$ 201,179</u>	<u>\$ 5,678,738</u>	<u>\$ 15,600</u>
\$ 449,663	\$ 229,072	\$ 4,215	\$ -	\$ 430	7,202	\$ -
2,355	-	2,623	-	-	7,046	-
-	-	-	-	-	4,650,073	15,600
-	-	-	-	-	17,897	-
-	585,510	-	-	-	1,396,108	-
<u>452,018</u>	<u>814,582</u>	<u>6,838</u>	<u>-</u>	<u>430</u>	<u>6,078,326</u>	<u>15,600</u>
1,036,903	(814,582)	91,467	-	200,749	(399,588)	-
-	-	-	-	-	-	-
<u>1,036,903</u>	<u>(814,582)</u>	<u>91,467</u>	<u>-</u>	<u>200,749</u>	<u>(399,588)</u>	<u>-</u>
<u>\$ 1,488,921</u>	<u>\$ -</u>	<u>\$ 98,305</u>	<u>\$ -</u>	<u>\$ 201,179</u>	<u>\$ 5,678,738</u>	<u>\$ 15,600</u>

	Special Revenue							
	HOME Grant	California Used Oil Recycling	2009 Street Improvements	ABC Grant Assistance Program	HPRP Funds	State Homeland Security Grant Program	Urban Security Initiative Grant Program	Hawthorne Blvd Mobility Improvement Program
Assets								
Cash and investments	\$ 34,376	\$ 41,955	\$ 257,843	\$ -	\$ 15,153	\$ -	\$ -	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-	-	-
Receivables:								
Accounts	104,481	-	1,645,020	-	-	359,980	43,045	100,430
Taxes	-	-	-	-	-	-	-	-
Notes and loans	2,228,891	-	-	-	-	-	-	-
Accrued interest	-	12	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-
Total Assets	\$ 2,367,748	\$ 41,967	\$ 1,902,863	\$ -	\$ 15,153	\$ 359,980	\$ 43,045	\$ 100,430
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 12,344	\$ -	\$ 111,097	\$ 400	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	885	201	-	-	-	-	-	-
Deferred revenues	2,408,634	23,714	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	5,832	-	359,980	43,045	100,430
Total Liabilities	2,421,863	23,915	111,097	6,232	-	359,980	43,045	100,430
Fund Balances:								
Restricted	(54,115)	18,052	1,791,766	(6,232)	15,153	-	-	-
Debt Service Fund	-	-	-	-	-	-	-	-
Total Fund Balances	(54,115)	18,052	1,791,766	(6,232)	15,153	-	-	-
Total Liabilities and Fund Balances	\$ 2,367,748	\$ 41,967	\$ 1,902,863	\$ -	\$ 15,153	\$ 359,980	\$ 43,045	\$ 100,430

**City of Hawthorne
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2012**

Capital Projects Fund		Debt Service Funds					Total Nonmajor Governmental Funds
Development Impact	Community Redevelopment Agency	Public Financing Authority	CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond	Community Redevelopment Agency	
\$ 2,608,064		\$ -	\$ -	\$ 715,528	\$ 293,286	\$ -	\$ 7,343,173
-	-	1,317,834	-	-	351,661	-	1,669,495
-	-	-	-	-	-	-	3,832,113
-	-	-	-	-	-	-	131,060
-	-	-	-	-	-	-	6,547,199
868	-	-	-	-	101	-	2,123
-	-	-	-	-	-	-	231,650
<u>\$ 2,608,932</u>	<u>\$ -</u>	<u>\$ 1,317,834</u>	<u>\$ -</u>	<u>\$ 715,528</u>	<u>\$ 645,048</u>	<u>\$ -</u>	<u>\$ 19,756,813</u>
-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,263,458
-	-	-	-	-	-	-	58,918
-	-	-	-	-	-	-	7,570,745
-	-	-	-	-	-	-	17,897
-	-	224,186	12,404	-	-	-	3,057,143
-	-	224,186	12,404	-	-	-	11,968,161
2,608,932	-	1,093,648	(12,404)	-	645,048	-	7,073,124
-	-	-	-	715,528	-	-	715,528
<u>2,608,932</u>	<u>-</u>	<u>1,093,648</u>	<u>(12,404)</u>	<u>715,528</u>	<u>645,048</u>	<u>-</u>	<u>7,788,652</u>
<u>\$ 2,608,932</u>	<u>-</u>	<u>\$ 1,317,834</u>	<u>\$ -</u>	<u>\$ 715,528</u>	<u>\$ 645,048</u>	<u>\$ -</u>	<u>\$ 19,756,813</u>

	Special Revenue					
	Street Lighting	Gas Tax	Street	Asset Forfeiture	COPS	California Office of Traffic Safety
Revenues						
Taxes	\$ 560,084	\$ 2,488,983	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	147,376	-	157,099	-	203,957	30,820
Charges for services	-	-	185,811	-	-	-
Fines and forfeitures	-	-	-	311,702	-	-
Investment income	-	1,690	-	258	120	-
Other revenue	-	-	-	-	-	-
Total revenues	707,460	2,490,673	342,910	311,960	204,077	30,820
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	266,121	-	30,820
Public works	652,635	446,250	1,750,931	-	137,120	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	45,839	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	652,635	446,250	1,750,931	311,960	137,120	30,820
Excess (Deficiency) of revenues over expenditures	54,825	2,044,423	(1,408,021)	-	66,957	-
Other Financing Sources (Uses)						
Transfers in	-	-	1,704,524	-	-	-
Transfers out	-	(1,704,524)	-	-	-	-
Total other financing sources (uses)	-	(1,704,524)	1,704,524	-	-	-
Change in fund balances before extraordinary items	54,825	339,899	296,503	-	66,957	-
Extraordinary items						
Change in fund balances	54,825	339,899	296,503	-	66,957	-
Fund balances, beginning	(371,523)	807,434	(356,727)	93,562	36,191	(73,530)
Fund balances - ending	\$ (316,698)	\$ 1,147,333	\$ (60,224)	\$ 93,562	\$ 103,148	\$ (73,530)

City of Hawthorne
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2012

Special Revenue									
Local Law Enforcement Block Grant	MTA Measure R	Proposition A	Proposition C	Air Quality	Community Development Block Grant	American Down Payment Dream Program	HOME Grant	California Used Oil Recycling	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	
-	-	-	-	-	-	-	-	-	
240,305	734,250	1,317,285	1,093,831	106,441	1,586,388	-	401,956	8,854	
-	-	15,813	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
249	2,106	-	346	320	86,220	-	146,082	36	
-	-	-	-	-	-	-	-	-	
<u>240,554</u>	<u>736,356</u>	<u>1,333,098</u>	<u>1,094,177</u>	<u>106,761</u>	<u>1,672,608</u>	<u>-</u>	<u>548,038</u>	<u>8,890</u>	
-	-	-	-	-	-	-	-	-	
136,575	-	-	-	-	-	-	-	-	
-	579,064	1,267,432	839,273	-	-	-	-	8,854	
-	-	-	-	104,679	836,723	-	401,956	-	
103,728	-	-	-	-	-	-	-	-	
-	-	-	-	-	475,000	-	-	-	
-	-	-	-	-	274,666	-	-	-	
<u>240,303</u>	<u>579,064</u>	<u>1,267,432</u>	<u>839,273</u>	<u>104,679</u>	<u>1,586,389</u>	<u>-</u>	<u>401,956</u>	<u>8,854</u>	
-	-	-	-	-	-	-	-	-	
251	157,292	65,666	254,904	2,082	86,219	-	146,082	36	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
251	157,292	65,666	254,904	2,082	86,219	-	146,082	36	
-	-	-	-	-	-	-	-	-	
251	157,292	65,666	254,904	2,082	86,219	-	146,082	36	
(35,515)	879,611	(880,248)	(163,437)	198,667	(485,807)	-	(200,197)	18,016	
<u>\$ (35,264)</u>	<u>\$ 1,036,903</u>	<u>\$ (814,582)</u>	<u>\$ 91,467</u>	<u>\$ 200,749</u>	<u>\$ (399,588)</u>	<u>\$ -</u>	<u>\$ (54,115)</u>	<u>\$ 18,052</u>	

	2009 Street Improvements	ABC Grant Assistance Program	HPRP Funds	State Homeland Security Grant Program	Urban Security Initiative Grant Program	Hawthorne Blvd Mobility Improvement Program
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	2,057,704	-	249,939	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	2,383	-	-	-	-	-
Other revenue	1,978,089	-	-	-	-	-
Total revenues	4,038,176	-	249,939	-	-	-
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	490,479	-	29,514	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	3,548,313	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	4,038,792	-	29,514	-	-	-
Excess (Deficiency) of revenues over expenditures	(616)	-	220,425	-	-	-
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Change in fund balances before extraordinary items	(616)	-	220,425	-	-	-
Extraordinary items						
Change in fund balances	(616)	-	220,425	-	-	-
Fund balances, beginning	1,792,382	(6,232)	(205,272)	-	-	-
Fund balances - ending	\$ 1,791,766	\$ (6,232)	\$ 15,153	\$ -	\$ -	\$ -

City of Hawthorne
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year ended June 30, 2012

Capital Projects Fund		Debt Service Funds					Total
Development Impact	Community Redevelopment Agency	Public Financing Authority	CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond	Community Redevelopment Agency	Nonmajor Governmental Funds
\$ -	\$ 222,190	\$ -	\$ -	\$ -	\$ -	\$ 2,162,694	\$ 5,433,951
48,463	-	-	-	-	-	-	48,463
-	-	-	-	-	-	-	8,336,205
-	-	-	-	-	-	-	201,624
-	-	-	-	-	-	-	311,702
4,625	-	21,700	-	-	541	18,657	285,333
-	2,698	-	-	2,222,728	-	-	4,203,515
53,088	224,888	21,700	-	2,222,728	541	2,181,351	18,820,793
-	996,938	4,404	50,857	108	6,008	4,709	1,063,024
-	-	-	-	-	-	-	433,516
-	-	-	-	-	-	-	6,201,552
504	-	-	-	-	-	-	1,343,862
-	861,255	-	-	-	-	-	4,559,135
-	-	-	561,436	1,535,000	115,000	-	2,686,436
-	1,855,393	231,404	661,658	1,228,588	157,883	1,177,306	5,586,898
504	3,713,586	235,808	1,273,951	2,763,696	278,891	1,182,015	21,874,423
52,584	(3,488,698)	(214,108)	(1,273,951)	(540,968)	(278,350)	999,336	(3,053,630)
-	1,853,333	722,943	1,223,096	-	272,884	1,254,166	7,030,946
-	-	-	-	-	-	(3,107,499)	(4,812,023)
-	1,853,333	722,943	1,223,096	-	272,884	(1,853,333)	2,218,923
52,584	(1,635,365)	508,835	(50,855)	(540,968)	(5,466)	(853,997)	(834,707)
-	53,037,346	-	-	-	-	(2,572,420)	50,464,926
52,584	51,401,981	508,835	(50,855)	(540,968)	(5,466)	(3,426,417)	49,630,219
2,556,348	(51,401,981)	584,813	38,451	1,256,496	650,514	3,426,417	(41,841,567)
\$ 2,608,932	\$ -	\$ 1,093,648	\$ (12,404)	\$ 715,528	\$ 645,048	\$ -	\$ 7,788,652

City of Hawthorne
Budgetary Comparison Schedule
Street Lighting
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 551,009	\$ 551,009	\$ 560,084	\$ 9,075
Intergovernmental	<u>148,376</u>	<u>148,376</u>	<u>147,376</u>	<u>(1,000)</u>
Total Revenues	<u>699,385</u>	<u>699,385</u>	<u>707,460</u>	<u>8,075</u>
Expenditures				
Public Works	<u>697,364</u>	<u>697,364</u>	<u>652,635</u>	<u>44,729</u>
Total Expenditures	<u>697,364</u>	<u>697,364</u>	<u>652,635</u>	<u>44,729</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,021</u>	<u>2,021</u>	<u>54,825</u>	<u>52,804</u>
Net Change in Fund Balances	2,021	2,021	54,825	52,804
Fund Balances, Beginning	<u>(371,523)</u>	<u>(371,523)</u>	<u>(371,523)</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ (369,502)</u></u>	<u><u>\$ (369,502)</u></u>	<u><u>\$ (316,698)</u></u>	<u><u>\$ 52,804</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Gas Tax
Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,398,521	\$ 2,398,521	\$ 2,488,983	\$ 90,462
Investment Income	3,000	3,000	1,690	(1,310)
Total Revenues	<u>2,401,521</u>	<u>2,401,521</u>	<u>2,490,673</u>	<u>89,152</u>
Expenditures				
Public works	517,488	517,488	446,250	71,238
Total Expenditures	<u>517,488</u>	<u>517,488</u>	<u>446,250</u>	<u>71,238</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,884,033</u>	<u>1,884,033</u>	<u>2,044,423</u>	<u>160,390</u>
Other Financing Sources (Uses)				
Transfers Out	(1,704,522)	(1,704,522)	(1,704,524)	(2)
Total Other Financing Sources (Uses)	<u>(1,704,522)</u>	<u>(1,704,522)</u>	<u>(1,704,524)</u>	<u>(2)</u>
Net Change in Fund Balances	179,511	179,511	339,899	160,388
Fund Balances, Beginning	<u>807,434</u>	<u>807,434</u>	<u>807,434</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 986,945</u>	<u>\$ 986,945</u>	<u>\$ 1,147,333</u>	<u>\$ 160,388</u>

City of Hawthorne
Budgetary Comparison Schedule
Street
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 178,426	\$ 178,426	\$ 157,099	\$ (21,327)
Charges for services	<u>183,000</u>	<u>183,000</u>	<u>185,811</u>	<u>2,811</u>
Total Revenues	<u>361,426</u>	<u>361,426</u>	<u>342,910</u>	<u>(18,516)</u>
Expenditures				
Public Works	<u>1,951,459</u>	<u>1,951,459</u>	<u>1,750,931</u>	<u>200,528</u>
Total Expenditures	<u>1,951,459</u>	<u>1,951,459</u>	<u>1,750,931</u>	<u>200,528</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,590,033)</u>	<u>(1,590,033)</u>	<u>(1,408,021)</u>	<u>182,012</u>
Other Financing Sources (Uses)				
Transfers in	<u>1,704,522</u>	<u>1,704,522</u>	<u>1,704,524</u>	<u>2</u>
Total Other Financing Sources (Uses)	<u>1,704,522</u>	<u>1,704,522</u>	<u>-</u>	<u>(1,704,522)</u>
Net Change in Fund Balances	114,489	114,489	296,503	182,014
Fund Balances, Beginning	<u>(356,727)</u>	<u>(356,727)</u>	<u>(356,727)</u>	<u>-</u>
Fund Balances, Ending	\$ <u>(242,238)</u>	\$ <u>(242,238)</u>	\$ <u>(60,224)</u>	\$ <u>182,014</u>

City of Hawthorne
Budgetary Comparison Schedule
Asset Forfeiture
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ 210,000	\$ 324,000	\$ 311,702	\$ (12,298)
Investment income	<u>1,000</u>	<u>1,000</u>	<u>258</u>	<u>(742)</u>
Total Revenues	<u>211,000</u>	<u>325,000</u>	<u>311,960</u>	<u>(13,040)</u>
Expenditures				
Public safety	250,000	273,570	266,121	7,449
Capital outlay	<u>-</u>	<u>51,430</u>	<u>45,839</u>	<u>5,591</u>
Total Expenditures	<u>250,000</u>	<u>325,000</u>	<u>311,960</u>	<u>13,040</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(39,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(39,000)	-	-	-
Fund Balances, Beginning	<u>93,562</u>	<u>93,562</u>	<u>93,562</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>54,562</u></u>	\$ <u><u>93,562</u></u>	\$ <u><u>93,562</u></u>	\$ <u><u>-</u></u>

City of Hawthorne
Budgetary Comparison Schedule
COPS
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ 137,120	\$ 203,957	\$ 66,837
Investment income	-	-	120	120
Total Revenues	<u>-</u>	<u>137,120</u>	<u>204,077</u>	<u>66,957</u>
Expenditures				
Public works	-	137,120	137,120	-
Total Expenditures	<u>-</u>	<u>137,120</u>	<u>137,120</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>66,957</u>	<u>66,957</u>
Net Change in Fund Balances	-	-	66,957	66,957
Fund Balances, Beginning	<u>36,191</u>	<u>36,191</u>	<u>36,191</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 36,191</u>	<u>\$ 36,191</u>	<u>\$ 103,148</u>	<u>\$ 66,957</u>

**City of Hawthorne
 Budgetary Comparison Schedule
 California Office of Traffic Safety
 Year ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 30,820	\$ 30,820
Total Revenues	<u>-</u>	<u>-</u>	<u>30,820</u>	<u>30,820</u>
Expenditure				
Public safety	-	-	30,820	(30,820)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>30,820</u>	<u>30,820</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	<u>(73,530)</u>	<u>(73,530)</u>	<u>(73,530)</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>(73,530)</u></u>	\$ <u><u>(73,530)</u></u>	\$ <u><u>(73,530)</u></u>	\$ <u><u>-</u></u>

**City of Hawthorne
Budgetary Comparison Schedule
Local Law Enforcement Block Grant
Year ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 424,083	\$ 424,083	\$ 240,305	\$ (183,778)
Investment income	<u>-</u>	<u>-</u>	<u>249</u>	<u>249</u>
Total Revenues	<u>424,083</u>	<u>424,083</u>	<u>240,554</u>	<u>(183,529)</u>
Expenditures				
Public Safety	249,360	249,360	136,575	112,785
Capital outlay	<u>141,452</u>	<u>141,452</u>	<u>103,728</u>	<u>37,724</u>
Total Expenditures	<u>390,812</u>	<u>390,812</u>	<u>240,303</u>	<u>150,509</u>
Excess (Deficiency) of Revenues over Expenditures	<u>33,271</u>	<u>33,271</u>	<u>251</u>	<u>(33,020)</u>
Net Change in Fund Balances	33,271	33,271	251	(33,020)
Fund Balances, Beginning	<u>(35,515)</u>	<u>(35,515)</u>	<u>(35,515)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (2,244)</u>	<u>\$ (2,244)</u>	<u>\$ (35,264)</u>	<u>\$ (33,020)</u>

City of Hawthorne
Budgetary Comparison Schedule
MTA Measure R
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 771,889	\$ 771,889	\$ 734,250	\$ (37,639)
Investment income	<u>750</u>	<u>750</u>	<u>2,106</u>	<u>1,356</u>
Total Revenues	<u>772,639</u>	<u>772,639</u>	<u>736,356</u>	<u>(36,283)</u>
Expenditures				
Public works	<u>730,740</u>	<u>658,091</u>	<u>579,064</u>	<u>79,027</u>
Total Expenditures	<u>730,740</u>	<u>658,091</u>	<u>579,064</u>	<u>79,027</u>
Excess (Deficiency) of Revenues over Expenditures	<u>41,899</u>	<u>114,548</u>	<u>157,292</u>	<u>42,744</u>
Net Change in Fund Balances	41,899	114,548	157,292	42,744
Fund Balances, Beginning	<u>879,611</u>	<u>879,611</u>	<u>879,611</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 921,510</u>	<u>\$ 994,159</u>	<u>\$ 1,036,903</u>	<u>\$ 42,744</u>

City of Hawthorne
Budgetary Comparison Schedule
Proposition A
Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,240,758	\$ 1,265,734	\$ 1,317,285	\$ 51,551
Charges for services	19,000	19,000	15,813	(3,187)
Investment income	1,000	1,000	-	(1,000)
Total Revenues	<u>1,260,758</u>	<u>1,285,734</u>	<u>1,333,098</u>	<u>47,364</u>
Expenditures				
Public works	<u>1,238,760</u>	<u>1,263,736</u>	<u>1,267,432</u>	<u>(3,696)</u>
Total Expenditures	<u>1,238,760</u>	<u>1,263,736</u>	<u>1,267,432</u>	<u>3,696</u>
Excess (Deficiency) of Revenues over Expenditures	<u>21,998</u>	<u>21,998</u>	<u>65,666</u>	<u>43,668</u>
Net Change in Fund Balances	21,998	21,998	65,666	43,668
Fund Balances, Beginning	<u>(880,248)</u>	<u>(880,248)</u>	<u>(880,248)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (858,250)</u>	<u>\$ (858,250)</u>	<u>\$ (814,582)</u>	<u>\$ 43,668</u>

City of Hawthorne
Budgetary Comparison Schedule
Proposition C
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,029,176	\$ 1,029,176	\$ 1,093,831	\$ 64,655
Investment income	<u>1,000</u>	<u>1,000</u>	<u>346</u>	<u>(654)</u>
Total Revenues	<u>1,030,176</u>	<u>1,030,176</u>	<u>1,094,177</u>	<u>64,001</u>
Expenditures				
Public works	<u>1,048,782</u>	<u>1,048,782</u>	<u>839,273</u>	<u>209,509</u>
Total Expenditures	<u>1,048,782</u>	<u>1,048,782</u>	<u>839,273</u>	<u>209,509</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(18,606)</u>	<u>(18,606)</u>	<u>254,904</u>	<u>273,510</u>
Net Change in Fund Balances	(18,606)	(18,606)	254,904	273,510
Fund Balances, Beginning	<u>(163,437)</u>	<u>(163,437)</u>	<u>(163,437)</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>(182,043)</u></u>	\$ <u><u>(182,043)</u></u>	<u><u>91,467</u></u>	\$ <u><u>273,510</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Air Quality
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 102,000	\$ 102,000	\$ 106,441	\$ 4,441
Investment income	<u>1,000</u>	<u>1,000</u>	<u>320</u>	<u>(680)</u>
Total Revenues	<u>103,000</u>	<u>103,000</u>	<u>106,761</u>	<u>3,761</u>
Expenditures				
Community development	<u>103,840</u>	<u>103,840</u>	<u>104,679</u>	<u>(839)</u>
Total Expenditures	<u>103,840</u>	<u>103,840</u>	<u>104,679</u>	<u>(839)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(840)</u>	<u>(840)</u>	<u>2,082</u>	<u>2,922</u>
Net Change in Fund Balances	(840)	(840)	2,082	2,922
Fund Balances, Beginning	<u>198,667</u>	<u>198,667</u>	<u>198,667</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 197,827</u>	<u>\$ 197,827</u>	<u>\$ 200,749</u>	<u>\$ 2,922</u>

**City of Hawthorne
Budgetary Comparison Schedule
Community Development Block Grant
Year ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,554,460	\$ 1,554,460	\$ 1,586,388	\$ 31,928
Investment income	-	-	86,220	86,220
Total Revenues	<u>1,554,460</u>	<u>1,554,460</u>	<u>1,672,608</u>	<u>118,148</u>
Expenditures				
Community development	804,794	803,294	836,723	(33,429)
Capital Outlay		1,500	-	1,500
Debt service:				
Principal retirement	475,000	475,000	475,000	-
Interest and fiscal changes	<u>274,666</u>	<u>296,936</u>	<u>274,666</u>	<u>22,270</u>
Total Expenditures	<u>1,554,460</u>	<u>1,576,730</u>	<u>1,586,389</u>	<u>(9,659)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(22,270)</u>	<u>86,219</u>	<u>108,489</u>
Net Change in Fund Balances	-	(22,270)	86,219	108,489
Fund Balances, Beginning	<u>(485,807)</u>	<u>(485,807)</u>	<u>(485,807)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (485,807)</u>	<u>\$ (508,077)</u>	<u>\$ (399,588)</u>	<u>\$ 108,489</u>

City of Hawthorne
Budgetary Comparison Schedule
HOME Grant
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 871,019	\$ 871,019	\$ 401,956	\$ (469,063)
Investment income	-	-	146,082	146,082
Total Revenues	<u>871,019</u>	<u>871,019</u>	<u>548,038</u>	<u>(322,981)</u>
Expenditures				
Community development	<u>871,019</u>	<u>871,019</u>	<u>401,956</u>	<u>469,063</u>
Total Expenditures	<u>871,019</u>	<u>871,019</u>	<u>401,956</u>	<u>469,063</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>146,082</u>	<u>146,082</u>
Net Change in Fund Balances	-	-	146,082	146,082
Fund Balances, Beginning	<u>(200,197)</u>	<u>(200,197)</u>	<u>(200,197)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (200,197)</u>	<u>\$ (200,197)</u>	<u>\$ (54,115)</u>	<u>\$ 146,082</u>

**City of Hawthorne
Budgetary Comparison Schedule
California Used Oil Recycling
Year ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 8,854	\$ (1,146)
Investment income	<u>-</u>	<u>-</u>	<u>36</u>	<u>36</u>
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>8,890</u>	<u>(1,110)</u>
Expenditures				
Public works	<u>8,854</u>	<u>8,854</u>	<u>8,854</u>	<u>-</u>
Total Expenditures	<u>8,854</u>	<u>8,854</u>	<u>8,854</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,146</u>	<u>1,146</u>	<u>36</u>	<u>(1,110)</u>
Net Change in Fund Balances	1,146	1,146	36	(1,110)
Fund Balances, Beginning	<u>18,016</u>	<u>18,016</u>	<u>18,016</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 19,162</u>	<u>\$ 19,162</u>	<u>\$ 18,052</u>	<u>\$ (1,110)</u>

City of Hawthorne
Budgetary Comparison Schedule
2009 Street Improvements
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 2,100,000	\$ 2,100,000	\$ 2,057,704	\$ (42,296)
Investment income	2,000	2,000	2,383	383
Other revenue	<u>4,161,890</u>	<u>4,161,890</u>	<u>1,978,089</u>	<u>(2,183,801)</u>
Total Revenues	<u>6,263,890</u>	<u>6,263,890</u>	<u>4,038,176</u>	<u>(2,225,714)</u>
Expenditures				
Public works	490,479	490,479	490,479	-
Capital Outlay	<u>4,980,500</u>	<u>4,980,500</u>	<u>3,548,313</u>	<u>1,432,187</u>
Total Expenditures	<u>5,470,979</u>	<u>5,470,979</u>	<u>4,038,792</u>	<u>1,432,187</u>
Excess (Deficiency) of Revenues over Expenditures	<u>792,911</u>	<u>792,911</u>	<u>(616)</u>	<u>(793,527)</u>
Net Change in Fund Balances	792,911	792,911	(616)	(793,527)
Fund Balances, Beginning	<u>1,792,382</u>	<u>1,792,382</u>	<u>1,792,382</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 2,585,293</u>	<u>\$ 2,585,293</u>	<u>\$ 1,791,766</u>	<u>\$ (793,527)</u>

**City of Hawthorne
 Budgetary Comparison Schedule
 ABC Grant Assistance Program
 Year ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Public safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Net Change in Fund Balances		-	-	-
Fund Balances, Beginning	<u>(6,232)</u>	<u>(6,232)</u>	<u>(6,232)</u>	-
Fund Balances, Ending	<u>\$ (6,232)</u>	<u>\$ (6,232)</u>	<u>\$ (6,232)</u>	<u>\$ -</u>

City of Hawthorne
Budgetary Comparison Schedule
HPRP Funds
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 249,939	\$ 249,939
Total Revenues	<u>-</u>	<u>-</u>	<u>249,939</u>	<u>249,939</u>
Expenditures				
Public works	<u>-</u>	<u>-</u>	<u>29,514</u>	<u>(29,514)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>29,514</u>	<u>(29,514)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>220,425</u>	<u>220,425</u>
Net Change in Fund Balances	-	-	220,425	220,425
Fund Balances, Beginning	<u>(205,272)</u>	<u>(205,272)</u>	<u>(205,272)</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>(205,272)</u></u>	\$ <u><u>(205,272)</u></u>	\$ <u><u>15,153</u></u>	\$ <u><u>220,425</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Development Impact
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenue				
Licenses and permits	\$ 120,000	\$ 120,000	\$ 48,463	\$ (71,537)
Investment income	<u>6,000</u>	<u>6,000</u>	<u>4,625</u>	<u>(1,375)</u>
Total Revenues	<u>126,000</u>	<u>126,000</u>	<u>53,088</u>	<u>(72,912)</u>
Expenditures				
Community development	<u>504</u>	<u>504</u>	<u>504</u>	<u>-</u>
Total Expenditures	<u>504</u>	<u>504</u>	<u>504</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>125,496</u>	<u>125,496</u>	<u>52,584</u>	<u>(72,912)</u>
Net Change in Fund Balances	125,496	125,496	52,584	(72,912)
Fund Balances, Beginning	<u>2,556,348</u>	<u>2,556,348</u>	<u>2,556,348</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 2,681,844</u>	<u>\$ 2,681,844</u>	<u>\$ 2,608,932</u>	<u>\$ (72,912)</u>

City of Hawthorne
Budgetary Comparison Schedule
Public Financing Authority
Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other revenue	\$ 2,000	\$ 2,000	\$ 21,700	\$ 19,700
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>21,700</u>	<u>19,700</u>
Expenditures				
General government	5,204	5,204	4,404	800
Debt service:				
Principal retirement	552,651	552,651	77,466	475,185
Interest and fiscal changes	<u>160,000</u>	<u>160,000</u>	<u>153,938</u>	<u>6,062</u>
Total Expenditures	<u>717,855</u>	<u>717,855</u>	<u>235,808</u>	<u>482,047</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(715,855)</u>	<u>(715,855)</u>	<u>(214,108)</u>	<u>501,747</u>
Other Financing Sources (Uses)				
Proceeds from bond issuance	-	-	-	-
Transfers In	<u>712,651</u>	<u>712,651</u>	<u>722,943</u>	<u>10,292</u>
Total Other Financing Sources (Uses)	<u>712,651</u>	<u>712,651</u>	<u>722,943</u>	<u>10,292</u>
Net Change in Fund Balances	(3,204)	(3,204)	508,835	512,039
Fund Balances, Beginning	<u>584,813</u>	<u>584,813</u>	<u>584,813</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 581,609</u>	<u>\$ 581,609</u>	<u>\$ 1,093,648</u>	<u>\$ 512,039</u>

City of Hawthorne
Budgetary Comparison Schedule
CIEDB Police Facility Lease Obligation
Year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
General Government	52,840	52,840	50,857	1,983
Debt Service:				-
Principal retirement	555,836	555,836	555,836	-
Interest & Fiscal Charges	667,258	667,258	667,258	-
Total Expenditures	1,275,934	1,275,934	1,273,951	1,983
Excess (Deficiency) of Revenues over Expenditures	(1,275,934)	(1,275,934)	(1,273,951)	1,983
Other Financing Sources (Uses)				
Transfer In	1,223,094	1,223,094	1,223,096	2
Total Other Financing Sources (Uses)	1,223,094	1,223,094	1,223,096	2
Net Change in Fund Balances	(52,840)	(52,840)	(50,855)	1,985
Fund Balances, Beginning	38,451	38,451	38,451	-
Fund Balances, Ending	\$ (14,389)	\$ (14,389)	\$ (12,404)	\$ 1,985

City of Hawthorne
Budgetary Comparison Schedule
2005 PERS Obligation Bonds
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Other revenue	\$ 2,483,235	\$ 2,483,235	\$ 2,222,728	\$ (260,507)
Total Revenues	<u>2,483,235</u>	<u>2,483,235</u>	<u>2,222,728</u>	<u>(260,507)</u>
Expenditures				
General Government	208	208	108	100
Debt service:				-
Principal retirement	1,720,000	1,720,000	1,535,000	185,000
Interest and fiscal changes	<u>1,194,033</u>	<u>1,194,033</u>	<u>1,228,588</u>	<u>(34,555)</u>
Total Expenditures	<u>2,914,241</u>	<u>2,914,241</u>	<u>2,763,696</u>	<u>150,545</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(431,006)</u>	<u>(431,006)</u>	<u>(540,968)</u>	<u>(109,962)</u>
Net Change in Fund Balances	(431,006)	(431,006)	(540,968)	(109,962)
Fund Balances, Beginning	<u>1,256,496</u>	<u>1,256,496</u>	<u>1,256,496</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 825,490</u>	<u>\$ 825,490</u>	<u>\$ 715,528</u>	<u>\$ (109,962)</u>

City of Hawthorne
Budgetary Comparison Schedule
SBRPCA 2007 Series B Bond
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Income	\$ 2,000	\$ 2,000	\$ 541	\$ (1,459)
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>541</u>	<u>(1,459)</u>
Expenditures				
General government	6,108	6,108	6,008	100
Debt service:				
Principal retirement	115,000	115,000	115,000	-
Interest and fiscal changes	<u>157,883</u>	<u>157,883</u>	<u>157,883</u>	<u>-</u>
Total Expenditures	<u>278,991</u>	<u>278,991</u>	<u>278,891</u>	<u>100</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(276,991)</u>	<u>(276,991)</u>	<u>(278,350)</u>	<u>(1,359)</u>
Other Financing Sources (Uses)				
Transfer In	<u>272,884</u>	<u>272,884</u>	<u>272,884</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>272,884</u>	<u>272,884</u>	<u>272,884</u>	<u>-</u>
Net Change in Fund Balances	(4,107)	(4,107)	(5,466)	(1,359)
Fund Balances, Beginning	<u>650,514</u>	<u>650,514</u>	<u>650,514</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 646,407</u>	<u>\$ 646,407</u>	<u>\$ 645,048</u>	<u>\$ (1,359)</u>

City of Hawthorne
Combining Statement of Net Assets
Internal Service Funds
Year ended June 30, 2012

	Equipment Replacement	Insurance Reserve	Total
Assets			
Current assets:			
Cash and investments	\$ 2,721,522	\$ -	\$ 2,721,522
Receivables			
Accounts	21,020	-	21,020
Advances from other funds	310,000	-	310,000
Inventories	14,311	-	14,311
Total current assets	3,066,853	-	3,066,853
Noncurrent assets:			
Capital assets - net of accumulated depreciation	1,219,181	-	1,219,181
Total noncurrent assets	1,219,181	-	1,219,181
Total assets	4,286,034	-	4,286,034
Liabilities			
Current liabilities:			
Accounts payable	196,059	490,299	686,358
Accrued liabilities	8,548	9,397	17,945
Due to other funds	-	1,433,744	1,433,744
Compensated absences	10,104	-	10,104
Claims and judgments	-	560,000	560,000
Total current liabilities	214,711	2,493,440	2,708,151
Noncurrent liabilities:			
Claims and judgments	-	3,453,440	3,453,440
Total liabilities	214,711	5,946,880	6,161,591
Net Assets			
Invested in capital assets, net of related debt	1,219,181	-	1,219,181
Unrestricted	2,852,142	(5,946,880)	(3,094,738)
Total net assets	\$ 4,071,323	\$ (5,946,880)	\$ (1,875,557)

City of Hawthorne
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year ended June 30, 2012

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total</u>
Operating revenues:			
Sales and service charges	\$ 1,190,760	\$ 2,678,640	\$ 3,869,400
Miscellaneous	<u>40,101</u>	<u>81,041</u>	<u>121,142</u>
Total operating revenues	<u>1,230,861</u>	<u>2,759,681</u>	<u>3,990,542</u>
Operating expenses:			
Administration and general	841,542	323,006	1,164,548
Materials and supplies	358,790	-	358,790
Contractual services	29,899	1,880,058	1,909,957
Depreciation	<u>450,403</u>	<u>-</u>	<u>450,403</u>
Total operating expenses	<u>1,680,634</u>	<u>2,203,064</u>	<u>3,883,698</u>
Changes in net assets	(449,773)	556,617	106,844
Net assets			
Beginning of year	<u>4,521,096</u>	<u>(6,503,497)</u>	<u>(1,982,401)</u>
End of year	<u>\$ 4,071,323</u>	<u>\$ (5,946,880)</u>	<u>\$ (1,875,557)</u>

City of Hawthorne
Combining Statement of Cash Flows
Internal Service Funds
Year ended June 30, 2012

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers and users	\$ 1,220,785	\$ 2,763,177	\$ 3,983,962
Cash paid to suppliers for goods and services	(997,737)	(3,488,639)	(4,486,376)
Cash paid to employees for services	<u>(140,014)</u>	<u>(292,726)</u>	<u>(432,740)</u>
Net cash provided (used) by operating activities	<u>83,034</u>	<u>(1,018,188)</u>	<u>(935,154)</u>
Cash flows from noncapital financing activities			
Cash received from other funds	<u>-</u>	<u>1,018,188</u>	<u>1,018,188</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>1,018,188</u>	<u>1,018,188</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	<u>(333,699)</u>	<u>-</u>	<u>(333,699)</u>
Net increase (decrease) in cash and cash equivalents	<u>(250,665)</u>	<u>-</u>	<u>(250,665)</u>
Cash and cash equivalents, beginning of year	<u>2,972,187</u>	<u>-</u>	<u>2,972,187</u>
Cash and cash equivalents, end of year	<u>\$ 2,721,522</u>	<u>\$ -</u>	<u>\$ 2,721,522</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Cash flows from operating activities			
Operating income (loss)	\$ (449,773)	\$ 556,617	\$ 106,844
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	450,403	-	450,403
Decrease (increase) in accounts receivable	(10,076)	3,496	(6,580)
Increase (decrease) in accounts payable	85,784	118,067	203,851
Increase (decrease) in claims and judgments	-	(1,696,994)	(1,696,994)
Increase (decrease) in accrued liabilities and compensated absence	<u>6,696</u>	<u>626</u>	<u>7,322</u>
Net cash provided (used) by operating activities	<u>\$ 83,034</u>	<u>\$ (1,018,188)</u>	<u>\$ (935,154)</u>

City of Hawthorne
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2012

	<u>Facilities District</u>	<u>City Agency</u>	<u>Totals</u>
Assets			
Cash and investments	\$ 3,140,819	\$ 835,286	\$ 3,976,105
Receivables			
Taxes	581,595	-	581,595
Interest	1,014	-	1,014
Accounts	-	28,070	28,070
Restricted assets			
Cash and investments with fiscal agents	<u>7,231,057</u>	<u>-</u>	<u>7,231,057</u>
Total assets	<u>\$ 10,954,485</u>	<u>\$ 863,356</u>	<u>\$ 11,817,841</u>
Liabilities			
Accounts payable	\$ 6,927	\$ 23,681	\$ 30,608
Deposits payable	-	839,675	839,675
Accrued liabilities	621,000	-	621,000
Due to bondholders	<u>10,326,558</u>	<u>-</u>	<u>10,326,558</u>
Total liabilities	<u>\$ 10,954,485</u>	<u>\$ 863,356</u>	<u>\$ 11,817,841</u>

City of Hawthorne
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year ended June 30, 2012

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
<u>Communities Facilities District</u>				
Assets				
Cash and investments	\$ 3,459,003	\$ 4,611,828	\$ 4,930,012	\$ 3,140,819
Receivables				
Taxes	10,165	581,595	10,165	581,595
Interest	1,324	1,014	1,324	1,014
Restricted assets				
Cash and investments with fiscal agents	<u>7,395,437</u>	<u>5,691,028</u>	<u>5,855,408</u>	<u>7,231,057</u>
Total Assets	<u>\$ 10,865,929</u>	<u>\$ 10,885,465</u>	<u>\$ 10,796,909</u>	<u>\$ 10,954,485</u>
Liabilities				
Accounts payable	\$ 2,200	\$ 160,524	\$ 155,797	\$ 6,927
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	<u>10,242,729</u>	<u>4,995,055</u>	<u>4,911,226</u>	<u>10,326,558</u>
Total Liabilities	<u>\$ 10,865,929</u>	<u>\$ 5,155,579</u>	<u>\$ 5,067,023</u>	<u>\$ 10,954,485</u>
<u>City Agency</u>				
Assets				
Cash and investments	\$ 622,496	\$ 6,262,097	\$ 6,049,307	\$ 835,286
Accounts receivable	<u>26,344</u>	<u>28,070</u>	<u>26,344</u>	<u>28,070</u>
Total Assets	<u>\$ 648,840</u>	<u>\$ 6,290,167</u>	<u>\$ 6,075,651</u>	<u>\$ 863,356</u>
Liabilities				
Accounts payable	\$ 84,411	\$ 822,007	\$ 882,737	\$ 23,681
Deposits payable	<u>564,429</u>	<u>6,290,117</u>	<u>6,014,871</u>	<u>839,675</u>
Total Liabilities	<u>\$ 648,840</u>	<u>\$ 7,112,124</u>	<u>\$ 6,897,608</u>	<u>\$ 863,356</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash and investments	\$ 4,081,499	\$ 10,873,925	\$ 10,979,319	\$ 3,976,105
Receivables				
Taxes	10,165	581,595	10,165	581,595
Interest	1,324	1,014	1,324	1,014
Accounts	26,344	28,070	26,344	28,070
Restricted assets				
Cash and investments with fiscal agents	<u>7,395,437</u>	<u>5,691,028</u>	<u>5,855,408</u>	<u>7,231,057</u>
Total Assets	<u>\$ 11,514,769</u>	<u>\$ 17,175,632</u>	<u>\$ 16,872,560</u>	<u>\$ 11,817,841</u>
Liabilities				
Accounts payable	\$ 86,611	\$ 982,531	\$ 1,038,534	\$ 30,608
Accrued liabilities	621,000	-	-	621,000
Deposits payable	564,429	6,290,117	6,014,871	839,675
Due to bondholders	<u>10,242,729</u>	<u>4,995,055</u>	<u>4,911,226</u>	<u>10,326,558</u>
Total Liabilities	<u>\$ 11,514,769</u>	<u>\$ 12,267,703</u>	<u>\$ 11,964,631</u>	<u>\$ 11,817,841</u>

