

Financial Statements
City of Hawthorne, California
Year ended June 30, 2013
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

Report on the Financial Statements

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, 2013, and the related notes to financial statements which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and budgetary comparison information and funded status of pension and other postemployment benefit plans on pages 61 through 63 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.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Los Angeles, California
March 26, 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, 2013. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- ◆ At June 30, 2013, the City's net position (excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources) was \$124.5 million. Of this amount, \$28.3 million is restricted, \$58.1 million represents net investment in capital assets and \$38.1 is unrestricted.
- ◆ During the fiscal year ended June 30, 2013, the City's net position decreased by \$2.1 million.
- ◆ At the end of the fiscal year ended June 30, 2013, unassigned fund balance for the General Fund was \$17.1 million, or 33 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 Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

In the Statement of Net position and the Statement of Activities, we separate the City activities as follows:

Governmental Activities

Most of the City's basic services are reported in this category, including Administration, Public Safety, Public Works, Community Development, and Parks and Recreation. Property, business, hotel and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type Activities

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

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law and bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other funding sources.

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

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

To better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Fund Statements with the governmental activities in the Government-wide Financial Statements. A reconciliation 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 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 Replacement. Because these services benefit both the governmental and the business-type activities, they have been allocated between governmental and business-type 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. The fiduciary funds also include the Successor Agency to the Dissolved Hawthorne Redevelopment Agency in addition to agency funds. The Successor Agency is presented as a Private Purpose Trust Fund in 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 and the Hawthorne Housing Authority.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position is a good indicator of the City's financial position. For the fiscal year ended June 30, 2013, net position of the City were \$124.5 million, which is a decrease of \$2.1 million from the prior year.

The following is the condensed Statement of Net position for the fiscal years June 30, 2013 and 2012.

	Net Position (dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 72,025	\$ 78,130	\$ 602	\$ (385)	\$ 72,627	\$ 77,745
Capital assets	118,040	122,300	10,495	10,727	128,535	133,027
Total assets	<u>190,065</u>	<u>200,430</u>	<u>11,097</u>	<u>10,342</u>	<u>201,162</u>	<u>210,772</u>
Deferred outflows of resources	104	-	-	-	104	-
Other liabilities	6,084	11,542	162	160	6,246	11,702
Long-term liabilities	70,411	72,346	105	100	70,516	72,446
Total liabilities	<u>76,495</u>	<u>83,888</u>	<u>267</u>	<u>260</u>	<u>76,762</u>	<u>84,148</u>
Deferred inflows of resources	-	-	-	-	-	-
Net position:						
Net investment in capital assets	47,630	49,954	10,495	10,727	58,125	60,681
Restricted	28,271	18,421	-	-	28,271	18,421
Unrestricted	37,773	48,167	335	(645)	38,108	47,522
Total net position	<u>\$ 113,674</u>	<u>\$ 116,542</u>	<u>\$ 10,830</u>	<u>\$ 10,082</u>	<u>\$ 124,504</u>	<u>\$ 126,624</u>

Approximately \$58.1 million of the City's net position 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 position totaling approximately \$28.3 million represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is generally used to meet the City's ongoing obligations to citizens and creditors.

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net position for the fiscal years ended June 30, 2013 and 2012.

Change in Net Position (dollars in thousands)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program revenues:						
Charges for services	\$ 10,021	\$ 10,307	\$ 2,612	\$ 2,445	\$ 12,633	\$ 12,752
Operating grants and contributions	25,463	47,192	-	-	25,463	47,192
Capital grants and contributions	3,673	5,691	-	-	3,673	5,691
General revenues:						
Taxes:						
Property taxes	15,012	14,500	-	-	15,012	14,500
Other taxes	29,303	27,997	-	-	29,303	27,997
Other	25	1,299	-	-	25	1,299
Total revenues	<u>83,497</u>	<u>106,986</u>	<u>2,612</u>	<u>2,445</u>	<u>86,109</u>	<u>109,431</u>
Expenses						
General government	7,749	6,497	-	-	7,749	6,497
Public safety	41,130	39,197	-	-	41,130	39,197
Community development	20,365	31,863	-	-	20,365	31,863
Parks and recreation	1,688	1,714	-	-	1,688	1,714
Public works	13,135	12,085	-	-	13,135	12,085
Interest on long-term debt	2,298	5,887	-	-	2,298	5,887
Airport	-	-	982	1,014	982	1,014
Sewer and storm drain	-	-	882	806	882	806
Total expenses	<u>86,365</u>	<u>97,243</u>	<u>1,864</u>	<u>1,820</u>	<u>88,229</u>	<u>99,063</u>
Change in net position before transfers and extraordinary items	(2,868)	9,743	748	625	(2,120)	10,368
Transfers	-	-	-	-	-	-
Extraordinary items	-	58,217	-	-	-	58,217
Change in net position	(2,868)	67,960	748	625	(2,120)	68,585
Net position, beginning as restated	<u>116,542</u>	<u>48,582</u>	<u>10,082</u>	<u>9,457</u>	<u>126,624</u>	<u>58,039</u>
Net position, ending	<u>\$ 113,674</u>	<u>\$ 116,542</u>	<u>\$ 10,830</u>	<u>\$ 10,082</u>	<u>\$ 124,504</u>	<u>\$ 126,624</u>

The City's net position from governmental activities totaled \$113.7 million. The cost of all governmental activities this year was \$86.4 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$44.3 million because some of the cost was paid by those who directly benefited from the programs (\$10.0 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$29.1 million). Overall, the City's governmental program revenues were \$39.1 million. The City paid for the remaining "public benefit" portion of governmental activities with \$44.3 million in taxes (some of which could only be used for certain programs) and with \$25 thousand of other revenues, such as interest earnings and general entitlements.

Revenue highlights:

- ◆ General Revenues increased by \$0.5 million from the prior year mainly due to the increase in sales taxes.
- ◆ Operating and Capital contributions and grants decreased by \$23.8 million, mainly due to the decrease of federal award (ARRA funding) for projects and employment programs provided through South Bay Workforce Investment Board (SBWIB). SBWIB ended its affiliation with the City on December 18, 2012.

Expense highlights:

- ◆ Expenses decreased overall by \$10.9 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 position by \$748 thousand. Key elements of this increase are as follows:

Revenue Highlights:

- ◆ Total program revenue in the business-type activities increased by nearly \$167 thousand primarily because of increase in sewer charges.

Expense Highlights:

- ◆ Total expenses in the business-type activities increased \$44 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 2012-13, the City's governmental funds reported combined ending fund balance of \$28.1 million, an increase of \$3.1 million in comparison with prior fiscal year. Of this amount, \$12.4 million is restricted to indicate that it is not available for appropriation because it had already been restricted for various purposes.

The General Fund is the chief operating fund of the City. At the end of Fiscal Year 2012-13, unassigned fund balance of the General Fund was \$17.1 million. The City's General Fund balance shows an increase of \$3.0 million in Fiscal Year 2012-13 as compared to a decrease of \$20.3 million in Fiscal Year 2011-12. The significant decrease in fund balance in the prior year was because of the write off of advances made to the former Redevelopment Agency.

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, 2013, net capital assets totaled \$118.1 million for governmental activities and \$10.5 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 decrease in the City's investment in capital assets for Fiscal Year 2012-13 was \$4.5 million compared to prior year.

Debt Administration

At the end of the current fiscal year, the City had total bonded debt outstanding of \$31.1 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 Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 25,368,706	\$ 790,590	\$ 26,159,296
Cash and investments with fiscal agent	1,683,451	-	1,683,451
Receivables:			
Accounts	5,324,331	382,599	5,706,930
Taxes	225,084	-	225,084
Interest	4,786	-	4,786
Contracts and notes	3,878,804	-	3,878,804
Internal balances	604,941	(604,941)	-
Prepays	6,881	33,178	40,059
Due from successor agency	7,292,810	-	7,292,810
Due from other governments	231,650	-	231,650
Inventories	80,036	-	80,036
Net pension asset	23,830,205	-	23,830,205
Investment in joint venture	3,493,447	-	3,493,447
Capital assets, not being depreciated	8,185,103	185,377	8,370,480
Capital assets, net of accumulated depreciation	109,855,276	10,309,894	120,165,170
Total assets	<u>190,065,511</u>	<u>11,096,697</u>	<u>201,162,208</u>
Deferred outflows of resources			
Unamortized loss on defeasance of debt	103,033	-	103,033
Total deferred outflows of resources	<u>103,033</u>	<u>-</u>	<u>103,033</u>
Liabilities			
Accounts payable	2,634,275	70,999	2,705,274
Accrued liabilities	1,094,123	27,783	1,121,906
Accrued interest	1,209,668	-	1,209,668
Unearned revenue	1,103,240	42,636	1,145,876
Deposits payable	42,897	20,208	63,105
Noncurrent liabilities:			
Due within one year	5,780,615	30,000	5,810,615
Due in more than one year	64,630,228	74,899	64,705,127
Total liabilities	<u>76,495,046</u>	<u>266,525</u>	<u>76,761,571</u>
Deferred inflows of resources			
	-	-	-
Net position			
Net investment in capital assets	47,629,536	10,495,271	58,124,807
Restricted for:			
Community services	23,633,197	-	23,633,197
Public safety	238,528	-	238,528
Capital projects	2,633,641	-	2,633,641
Debt service	1,765,455	-	1,765,455
Unrestricted	37,773,141	334,901	38,108,042
Total net position	<u>\$ 113,673,498</u>	<u>\$ 10,830,172</u>	<u>\$ 124,503,670</u>

See report of independent auditors and notes to financial statements.

**City of Hawthorne
Statement of Activities
Year ended June 30, 2013**

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	\$ 7,750,941	\$ 2,607,685	\$ 4,780,662	\$ -	\$ (362,594)	\$ -	\$ (362,594)
Public safety	41,129,544	3,693,816	1,579,664	-	(35,856,064)	-	(35,856,064)
Community development	20,364,753	552,181	16,935,372	105,378	(2,771,822)	-	(2,771,822)
Parks and recreation	1,687,789	715,433	71,570	-	(900,786)	-	(900,786)
Public works	13,134,894	2,452,179	2,095,537	3,567,649	(5,019,529)	-	(5,019,529)
Interest on long-term debt	2,297,756	-	-	-	(2,297,756)	-	(2,297,756)
Total governmental activities	86,365,677	10,021,294	25,462,805	3,673,027	(47,208,551)	-	(47,208,551)
Business-type activities:							
Airport	981,673	977,941	-	-	-	(3,732)	(3,732)
Sewer and storm drain	881,843	1,634,149	-	-	-	752,306	752,306
Total business-type activities	1,863,516	2,612,090	-	-	-	748,574	748,574
Total primary government	\$ 88,229,193	\$ 12,633,384	\$ 25,462,805	\$ 3,673,027	(47,208,551)	748,574	(46,459,977)
General revenues:							
Taxes:							
Property taxes					15,011,710	-	15,011,710
Transient occupancy taxes					2,680,392	-	2,680,392
Sales taxes					12,928,878	-	12,928,878
Franchise taxes					1,767,044	-	1,767,044
Business license taxes					4,901,207	-	4,901,207
Utility users tax					6,737,474	-	6,737,474
Other taxes					249,778	-	249,778
Motor-vehicle in lieu - unrestricted					38,244	-	38,244
Use of money and property					25,340	-	25,340
Total general revenues					44,340,067	-	44,340,067
Change in net position					(2,868,484)	748,574	(2,119,910)
Net position - beginning, as restated					116,541,982	10,081,598	126,623,580
Net position - ending					\$ 113,673,498	\$ 10,830,172	\$ 124,503,670

See report of independent auditors and notes to financial statements.

**City of Hawthorne
Balance Sheet
June 30, 2013**

	General	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Hawthorne Housing Authority	Housing Asset		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Cash and investments	\$ 11,055,291	\$ 1,534,895	\$ 838,900	\$ 9,561,792	\$ 22,990,878
Cash with fiscal agent	-	-	-	1,683,451	1,683,451
Receivables:					
Accounts	3,882,027	1,131	-	1,293,994	5,177,152
Taxes	180,099	-	-	44,985	225,084
Notes and loans	-	-	-	3,878,804	3,878,804
Accrued interest	2,913	-	-	1,874	4,787
Prepaid items	6,881	-	-	-	6,881
Due from other governments	-	-	-	231,650	231,650
Due from successor agency	-	-	7,292,810	-	7,292,810
Due from other funds	4,889,508	-	-	-	4,889,508
Advances to successor agency, net of allowance uncollectible accounts of \$44,046,507	-	-	-	-	-
Inventories	65,726	-	-	-	65,726
Total assets	20,082,445	1,536,026	8,131,710	16,696,550	46,446,731
DEFERRED OUTFLOWS OF RESOURCES					
	-	-	-	-	-
Totas assets and deferred outflows of resources	\$ 20,082,445	\$ 1,536,026	\$ 8,131,710	\$ 16,696,550	\$ 46,446,731
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,911,654	\$ 30,423	-	354,664	\$ 2,296,741
Accrued liabilities	991,951	24,563	-	61,488	1,078,002
Unearned revenues	-	45,328	-	1,057,912	1,103,240
Deposits payable	25,000	-	-	17,897	42,897
Due to other funds	-	-	-	2,649,337	2,649,337
Total liabilities	2,928,605	100,314	-	4,141,298	7,170,217
Deferred Inflows of Resources					
Unavailable revenue	-	-	7,292,810	3,878,804	11,171,614
Fund balances (deficits):					
Nonspendable					
Inventories	65,726	-	-	-	65,726
Prepaid items	6,881	-	-	-	6,881
Restricted					
Special revenue	-	1,435,712	838,900	5,741,061	8,015,673
Debt service	-	-	-	1,765,455	1,765,455
Capital projects	-	-	-	2,633,641	2,633,641
Unassigned	17,081,233	-	-	(1,463,709)	15,617,524
Total fund balances	17,153,840	1,435,712	838,900	8,676,448	28,104,900
Total liabilities, deferred inflows of resources and fund balances	\$ 20,082,445	\$ 1,536,026	\$ 8,131,710	\$ 16,696,550	\$ 46,446,731

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 Position
June 30, 2013

Fund balances of governmental funds	\$	28,104,900
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets net of depreciation have not been included as financial resources of the governmental funds.		116,981,706
Investments in joint venture have not been included as financial resources of the governmental funds.		3,493,447
Net pension assets pertain to prepayment of 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.		23,830,205
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	\$ (5,772,453)	
Pension obligation bonds	(22,075,000)	
SBRPCA 2007 bonds	(3,285,000)	
Section 108 loans payable	(4,240,000)	
Loans payable - West Basin	(63,708)	
Lease payable	(15,538,162)	
Capital lease payable	(52,460)	
Other postemployment benefits obligation	(7,289,802)	
Unamortized bond discount	77,019	
Unamortized bond premium	(782,583)	
Compensated absences	<u>(6,937,990)</u>	(65,960,139)
Governmental funds report the effect of premiums, discounts and gains or losses on debt refundings when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities		
Loss on defeasance of debt		103,033
Unavailable 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.		11,171,614
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(1,209,668)
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 position		<u>(2,841,600)</u>
Net position of governmental activities	\$	<u><u>113,673,498</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, 2013

	Special Revenue			Other Governmental Funds	Total Governmental Funds
	General	Hawthorne Housing Authority	Housing Asset		
Revenues					
Taxes	\$ 46,389,444	\$ -	\$ 19,721	\$ 2,591,845	\$ 49,001,010
Licenses and permits	2,144,187	-	-	552,181	2,696,368
Intergovernmental	1,751,299	10,758,312	-	11,226,363	23,735,974
Charges for services	1,774,983	-	-	206,268	1,981,251
Fines and forfeitures	2,645,352	-	-	333,616	2,978,968
Use of money and property	14,514	1,263	368,461	63,735	447,973
Contributions	1,810,060	-	-	-	1,810,060
Miscellaneous	1,228,886	10,543	5,089	2,533,304	3,777,822
Total revenues	<u>57,758,725</u>	<u>10,770,118</u>	<u>393,271</u>	<u>17,507,312</u>	<u>86,429,426</u>
Expenditures					
Current:					
General government	5,625,711	-	95,993	58,386	5,780,090
Public safety	38,863,971	-	-	432,433	39,296,404
Community development	1,986,775	11,095,937	153,918	6,428,733	19,665,363
Parks and recreation	1,506,952	-	-	-	1,506,952
Public works	4,369,170	-	-	5,906,049	10,275,219
Capital outlay	166,903	-	-	757,398	924,301
Debt Service:					
Principal payment	14,197	-	-	3,358,397	3,372,594
Interest and fiscal charges	2,139	-	-	2,451,917	2,454,056
Total expenditures	<u>52,535,818</u>	<u>11,095,937</u>	<u>249,911</u>	<u>19,393,313</u>	<u>83,274,979</u>
Excess (deficiency) of revenues over expenditures	<u>5,222,907</u>	<u>(325,819)</u>	<u>143,360</u>	<u>(1,886,001)</u>	<u>3,154,447</u>
Other financing sources (uses)					
Transfers in	-	-	-	3,927,563	3,927,563
Transfers out	<u>(2,223,041)</u>	<u>-</u>	<u>-</u>	<u>(1,704,522)</u>	<u>(3,927,563)</u>
Net other financing sources (uses)	<u>(2,223,041)</u>	<u>-</u>	<u>-</u>	<u>2,223,041</u>	<u>-</u>
Change in fund balance	2,999,866	(325,819)	143,360	337,040	3,154,447
Fund balances, beginning	<u>14,153,974</u>	<u>1,761,531</u>	<u>695,540</u>	<u>8,339,408</u>	<u>24,950,453</u>
Fund balances, ending	<u>\$ 17,153,840</u>	<u>\$ 1,435,712</u>	<u>838,900</u>	<u>\$ 8,676,448</u>	<u>\$ 28,104,900</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, 2013

Net changes in fund balances - total governmental funds	\$	3,154,447
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 depreciation exceeded capital outlays in the current period.		(4,099,009)
Revenues that are measurable but not available. Amounts are recorded as deferred or unavailable revenue under the modified accrual basis of accounting. This is the change in unavailable revenue during the current period.		(2,772,983)
Investments in joint venture are expenditures in the governmental funds. However, in the Statement of Net Position, investments in joint venture are shown as the measurable equity interest in the joint venture. This is the change in the value of the City's equity interest in the joint venture during the year.		(159,247)
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.		(348,575)
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 position.		
Long-term issued or incurred:		
Other postemployment benefits obligation	(1,774,742)	
Decrease in compensated absences	829,702	
Principal repayments:		
Pension obligation bonds	1,720,000	
SBRPCA 2007 bond	120,000	
Lease revenue bonds	454,939	
Section 108 loans payable	485,000	
Loans payable - West Basin	8,939	
Lease payable	578,458	
Capital leases payable	14,197	
Combined adjustment		2,436,493
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of bond discount	(3,735)	
Amortization of bond premium	42,327	
Amortization of deferred amount on refunding	(9,570)	
Combined adjustment		29,022
Accrued interest for long-term debt. This is the net change in accrued interest for the current period.		116,023
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the Internal Service Funds is included in the Statement of Activities.		(1,224,655)
Change in net position of governmental activities	\$	(2,868,484)

City of Hawthorne
Statement of Net Position
Proprietary Funds
June 30, 2013

	Airport	Sewer and Storm Drain	Total	Governmental Activities - Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 136,937	\$ 653,653	\$ 790,590	\$ 2,377,828
Cash with fiscal agent			-	
Receivables				
Accounts	247,268	135,331	382,599	147,179
Prepaid items	1,020	32,158	33,178	-
Advances to other funds	-	-	-	310,000
Inventories	-	-	-	14,311
Total current assets	385,225	821,142	1,206,367	2,849,318
Noncurrent assets:				
Capital assets - net of accumulated depreciation	8,079,731	2,415,540	10,495,271	1,058,671
Total noncurrent assets	8,079,731	2,415,540	10,495,271	1,058,671
Total Assets	8,464,956	3,236,682	11,701,638	3,907,989
Deferred outflows of resources				
	-	-	-	-
Liabilities				
Current liabilities:				
Accounts payable	32,627	38,372	70,999	337,533
Accrued liabilities	12,609	15,174	27,783	16,121
Unearned revenues	42,636	-	42,636	-
Deposits payable	20,208	-	20,208	-
Due to other funds	-	-	-	2,240,171
Compensated absences	30,000	-	30,000	11,606
Advances from other funds	310,000	-	310,000	-
Claims and judgments	-	-	-	1,000,000
Total current liabilities	448,080	53,546	501,626	3,605,431
Noncurrent liabilities:				
Compensated absences	74,899	-	74,899	-
Claims and judgments	-	-	-	3,439,099
Total noncurrent liabilities	74,899	-	74,899	3,439,099
Total Liabilities	522,979	53,546	576,525	7,044,530
Deferred inflows of resources				
	-	-	-	-
Net Position				
Net investment in capital asset	8,079,731	2,415,540	10,495,271	1,058,671
Unrestricted	(137,754)	767,596	629,842	(4,195,212)
Total Net Position	\$ 7,941,977	\$ 3,183,136	\$ 11,125,113	\$ (3,136,541)
Reconciliation to the Government-wide Statement of Net Position				
Net Position per Statement of Net Position - Proprietary Funds			\$ 11,125,113	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds			(258,612)	
Current year's adjustments to reflect the consolidation of internal service activities related to enterprise funds			(36,329)	
Net Position per Statement of Net Position - Government-wide			\$ 10,830,172	

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year ended June 30, 2013

	Airport	Sewer and Storm Drain	Total	Governmental Activities - Internal Service Funds
Operating revenues:				
Sales and service charges	\$ 725,262	\$ 1,631,706	\$ 2,356,968	\$ 3,873,681
Intergovernmental	252,679	-	252,679	-
Miscellaneous	-	2,443	2,443	12,474
Total operating revenues	977,941	1,634,149	2,612,090	3,886,155
Operating expenses:				
Administration and general	451,310	604,088	1,055,398	1,279,066
Materials and supplies	12,636	24,839	37,475	339,232
Contractual services	148,479	117,854	266,333	3,084,573
Cost of sales and services	20,292	62,795	83,087	-
Depreciation	312,627	72,267	384,894	444,268
Total operating expenses	945,344	881,843	1,827,187	5,147,139
Operating income (loss)	32,597	752,306	784,903	(1,260,984)
Changes in net position	32,597	752,306	784,903	(1,260,984)
Net position				
Beginning of year	7,909,380	2,430,830	10,340,210	(1,875,557)
End of year	\$ 7,941,977	\$ 3,183,136	\$ 11,125,113	\$ (3,136,541)
Reconciliation of changes in net position to the Statement of Activities:				
Change in net position per Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds			\$ 784,903	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			(36,329)	
Change in net position per Statement of Activities			\$ 748,574	

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2013

				Governmental Activities -
	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Total</u>	<u>Internal Service Funds</u>
Cash flows from operating activities				
Cash received from customers and users	\$ 836,930	\$ 1,617,563	\$ 2,454,493	\$ 3,759,995
Cash paid to suppliers for goods and services	(260,664)	(300,864)	(561,528)	(4,134,856)
Cash paid to employees for services	(371,055)	(504,019)	(875,074)	(492,259)
Net cash provided (used) by operating activities	<u>205,211</u>	<u>812,680</u>	<u>1,017,891</u>	<u>(867,120)</u>
Cash flows from noncapital financing activities				
Cash received from other funds	-	(159,027)	(159,027)	807,183
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(159,027)</u>	<u>(159,027)</u>	<u>807,183</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(152,973)	-	(152,973)	(283,757)
Net cash provided (used) by capital and related financing activities	<u>(152,973)</u>	<u>-</u>	<u>(152,973)</u>	<u>(283,757)</u>
Net increase (decrease) in cash and cash equivalents	52,238	653,653	705,891	(343,694)
Cash and cash equivalents, beginning of year	<u>84,699</u>	<u>-</u>	<u>84,699</u>	<u>2,721,522</u>
Cash and cash equivalents, end of year	<u>\$ 136,937</u>	<u>\$ 653,653</u>	<u>\$ 790,590</u>	<u>\$ 2,377,828</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Cash flows from operating activities				
Operating income (loss)	\$ 32,597	\$ 752,306	\$ 784,903	\$ (1,260,984)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	312,627	72,267	384,894	444,268
Decrease (increase) in accounts receivable	(139,991)	(16,586)	(156,577)	(126,160)
Decrease (increase) in prepaid items	(1,020)	-	(1,020)	-
Increase (decrease) in accounts payable	(4,727)	4,317	(410)	(348,825)
Increase (decrease) in accrued liabilities	1,377	-	1,377	-
Increase (decrease) in claims and judgments	-	-	-	425,659
Increase (decrease) in compensated absences	4,348	376	4,724	(1,078)
Net cash provided (used) by operating activities	<u>\$ 205,211</u>	<u>\$ 812,680</u>	<u>\$ 1,017,891</u>	<u>\$ (867,120)</u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Fiduciary Net Position
June 30, 2013

	Agency Fund	Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
ASSETS		
Cash and investments	\$ 6,545,008	\$ 628,184
Cash and investments with fiscal agents	7,111,572	1,132,755
Taxes receivable	7,670	-
Accounts receivable, net	34,324	402
Interest receivable	562	1,295
Total assets	13,699,136	1,762,636
 LIABILITIES		
Accounts payable	52,743	22,863
Accrued liabilities	621,000	-
Interest payable	-	731,420
Advances from City of Hawthorne	-	44,046,507
Deposits payable	1,295,495	25,915
Due to bondholders	11,729,898	-
Due to City of Hawthorne	-	7,292,810
Long-term liabilities:		
Due within one year	-	1,510,000
Note payable	-	26,467,438
Bonds payable	-	38,415,000
Total liabilities	\$ 13,699,136	\$ 118,511,953
 FIDUCIARY NET POSITION		
Unrestricted Net Position (deficit)		\$ (116,749,317)

See notes to financial statements.

City of Hawthorne
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2013

		Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
Revenues:		
Taxes	\$	4,606,621
Use of money and property		46,681
Total revenues		<u>4,653,302</u>
 Expenses:		
General government		1,166,576
Debt service:		
Interest and fiscal charges		3,783,719
Total expenses		<u>4,950,295</u>
 Excess (deficiency) of revenues over expenses		 (296,993)
 Net position held in trust - beginning, as restated		 <u>(116,452,324)</u>
 Net position held in trust - ending	 \$	 <u><u>(116,749,317)</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.

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.

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

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.

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2013, the City adopted the following Governmental Accounting Standards Board (GASB) statements which impacted the City's financial statements:

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB statement nos. 34 and 14*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The City determined that the City and the component units blended with the City's financial statements comply with the new requirements noted in the amendments.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As of June 30, 2013, the City's deferred outflows of resources represent unamortized loss on defeasance of debt which resulted from refunding of bonded debt in the prior years.
- GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The 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. Adoption of this statement resulted in restatement of the City's beginning net position balance because of the write-off of deferred bond issuance cost which was recognized as an asset in the prior years.

**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 position and the statement of 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.

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 Hawthorne Housing Authority Special Revenue Fund accounts for the housing assistance programs for the qualified low-income residents.
- The Housing Asset Special Revenue Fund accounts for assets used for low and moderate income housing activities in accordance with the applicable housing-related regulations.

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

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.

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 position and a Statement of Changes in Fiduciary Net position.

The City reports the following major proprietary funds:

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

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.

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

In accordance with GASB Statement No. 62, Codification of Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, 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 (GASB). For proprietary fund type activities, the City applies all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

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, 2013.

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, 2013.

**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.

Net Position

Classifications of Net Position in accordance with GASB Statement No. 63 are as follows:

Net investment in capital assets - This represents the City's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted net position - Restricted net position include resources in which the City is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the City. Included in restricted net position are those which are restricted due to enabling legislation.

Unrestricted net position - Unrestricted net position represents resources available to be used for transactions relating to the general operations of the City, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

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

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, 2013. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances to Successor Agency, as reported in the fund financial statements, are offset by unavailable revenue 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.

The City has made several notes under the Community Development Block Grant and HUD Home Federal Programs. At June 30, 2013, the balance of the notes receivable was \$3,878,804 which is deemed to be fully collectible. During fiscal year, the City discovered that on October 1, 2004, the former redevelopment agency of the City of Hawthorne advanced funds to the Southern California Housing Development Corporation for affordable housing in the amount of \$1,998,855. The City regards this advance as contribution to the developer for community development purposes and to date has not received any payment towards the principal of the advance. Hence, this transaction has not been recorded as a receivable in the accompanying financial statements.

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

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.

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.

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

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement Nos. 63 and 65, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 13 for the list of deferred inflows and deferred outflows of resources the City has recognized as of June 30, 2013.

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

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

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

Property Tax Revenue

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. Expenditures may not exceed appropriations at the department level, which is the *legal level of control*. During the year, several supplementary appropriations were necessary. At fiscal year-end, all operating budget appropriations lapse.

Budget Basis of Accounting

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

Deficit in Fund Equity

The following funds have deficits in fund balance or retained earnings at June 30, 2013:

Fund	Amount
Nonmajor governmental funds:	
Special Revenue Funds:	
Street Lighting	\$ (206,230)
California Office of Traffic Safety	(74,487)
Local Law Enforcement Block Grant	(62,103)
Proposition A	(631,524)
Community Development Block Grant	(390,134)
HOME Grant	(9,399)
ABC Grant Assistance Program	(6,241)
Sustainable Community Planning Grant	(21,997)
Debt Service Fund:	
CIEDB Police Facility Lease Obligation	(61,594)
Internal Service Funds:	
Insurance Reserve	(6,666,030)

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:			
Mayor and city council	\$ 3,981,532	\$ 3,164,784	\$ 816,748
City clerk	70,405	66,850	3,555
City attorney	470,302	210,491	259,811
Planning	549,558	534,087	15,471
Nonmajor Governmental Funds:			
Special Revenue:			
Street:			
Capital outlay	449	-	449
Asset Forfeiture:			
Public safety	262,590	250,000	12,590
Capital outlay	65,913	5,590	60,323
Proposition A:			
Public Works	1,223,875	1,163,760	60,115
Air Quality:			
Community Development	104,360	103,540	820
Community Development Block Grant:			
Community Development	481,421	468,704	12,717
Debt Service:			
Public Financing Authority:			
Principal retirement	454,939	415,000	39,939
2005 PERS Obligation Bond:			
Interest and fiscal charges	1,147,322	1,107,724	39,598

NOTE 3 CASH AND INVESTMENTS

As of June 30, 2013, cash and investments were reported in the accompanying financial statements as follows:

	Government-wide Statement of Net Position	Fiduciary Fund Statement of Net Position		Total
		Successor Agency	Other Agency	
Unrestricted assets				
Cash and investments	\$ 26,159,296	\$ 6,545,008	\$ 628,184	\$ 33,332,488
Restricted assets				
Cash and investments with fiscal agents	1,683,451	7,111,572	1,132,755	9,927,778
Total cash and investments	<u>\$ 27,842,747</u>	<u>\$ 13,656,580</u>	<u>\$ 1,760,939</u>	<u>\$ 43,260,266</u>

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments at June 30, 2013, consisted of the following:

Cash on hand	\$	4,836
Deposits with financial institutions		21,172,152
Investments		<u>22,083,278</u>
Total cash and investments	\$	<u><u>43,260,266</u></u>

The City of Hawthorne maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

Deposits

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, 2013:

Investment Type	Amount	Minimum Legal Rating	AAA	AA+	AA-	A+	A-	Not Rated
State investment pool	\$ 10,943,669	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,943,669
Money market	1,011,706	N/A	1,011,706	-	-	-	-	-
Certificates of deposits	200,124	N/A	-	-	-	-	-	200,124
Held by fiscal agent:								
Money market funds	8,417,668	N/A	8,417,668	-	-	-	-	-
Investment agreements	1,510,111	N/A	-	-	-	-	-	1,510,111
Total	<u>\$ 22,083,278</u>		<u>\$ 9,429,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,653,903</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, 2013, 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, 2013, there were 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.

City of Hawthorne
Notes to Financial Statements
Year ended June 30, 2013

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2013, 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	\$ 10,943,669	\$ 10,943,669	\$ -	\$ -
Money market	1,011,706	1,011,706	-	-
Certificates of deposits	200,124	200,124	-	-
Held by fiscal agent:				
Money market funds	8,417,668	8,417,668	-	-
Investment agreements	1,510,111	-	-	1,510,111
	<u>\$ 22,083,278</u>	<u>\$ 20,573,167</u>	<u>\$ -</u>	<u>\$ 1,510,111</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, 2013 follows:

	Beginning Balance, July 1, 2012	Additions	Deletions/ Transfers	Ending Balance, June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,609,985	\$ -	\$ (870,881)	\$ 7,739,104
Construction in progress	-	445,999	-	445,999
Total capital assets not being depreciated	<u>8,609,985</u>	<u>445,999</u>	<u>(870,881)</u>	<u>8,185,103</u>
Capital assets being depreciated:				
Structures and improvements	56,829,925	24,530	-	56,854,455
Machinery and equipment				
City	17,795,531	948,057	-	18,743,588
Equipment replacement	6,458,072	283,758	(303,823)	6,438,007
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	114,889,323	25,792	-	114,915,115
Total capital assets being depreciated	<u>212,332,405</u>	<u>1,282,137</u>	<u>(303,823)</u>	<u>213,310,719</u>
Less accumulated depreciation for:				
Structures and improvements	(19,704,157)	(1,710,374)	-	(21,414,531)
Machinery and equipment				
City	(17,261,726)	(224,623)	-	(17,486,349)
Equipment replacement	(5,238,890)	(444,268)	303,823	(5,379,335)
Parking Authority - structures	(14,130,018)	(408,989)	-	(14,539,007)
Infrastructure	(42,307,701)	(2,328,520)	-	(44,636,221)
Total accumulated depreciation	<u>(98,642,492)</u>	<u>(5,116,774)</u>	<u>303,823</u>	<u>(103,455,443)</u>
Capital assets being depreciated, net	<u>113,689,913</u>	<u>(3,834,637)</u>	<u>-</u>	<u>109,855,276</u>
Governmental activities				
Capital assets, net	<u>\$ 122,299,898</u>	<u>\$ (3,388,638)</u>	<u>\$ (870,881)</u>	<u>\$ 118,040,379</u>

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Beginning Balance, July 1, 2012	Additions	Deletions/ Transfers	Ending Balance, June 30, 2013
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 37,314	\$ -	\$ -	\$ 37,314
Construction in Progress	-	148,063	-	148,063
Total capital assets not being depreciated	<u>37,314</u>	<u>148,063</u>	<u>-</u>	<u>185,377</u>
Capital assets being depreciated:				
Structures and improvements	1,777,690	4,910	-	1,782,600
Machinery and equipment	28,130	-	-	28,130
Infrastructure				
Airport	10,723,022	-	-	10,723,022
Storm and sewer drain	12,925,770	-	-	12,925,770
Total capital assets being depreciated	<u>25,454,612</u>	<u>4,910</u>	<u>-</u>	<u>25,459,522</u>
Less accumulated depreciation for:				
Structures and improvements	(1,473,951)	(43,476)	-	(1,517,427)
Machinery and equipment	(24,901)	(1,076)	-	(25,977)
Infrastructure				
Airport	(2,827,919)	(268,075)	-	(3,095,994)
Storm and sewer drain	(10,437,963)	(72,267)	-	(10,510,230)
Total accumulated depreciation	<u>(14,764,734)</u>	<u>(384,894)</u>	<u>-</u>	<u>(15,149,628)</u>
Capital assets being depreciated, net	<u>10,689,878</u>	<u>(379,984)</u>	<u>-</u>	<u>10,309,894</u>
Business-type activities				
Capital assets, net	<u>\$ 10,727,192</u>	<u>\$ (231,921)</u>	<u>\$ -</u>	<u>\$ 10,495,271</u>

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

Governmental activities:

	Amount
General government	\$ 657,618
Public safety	1,220,767
Public works	2,566,108
Community development	70,659
Parks and recreation	157,354
Internal service fund - equipment replacement	444,268
Total depreciation expense - governmental activities	<u>\$ 5,116,774</u>

Business-type activities:

Airport	\$ 312,627
Sewer and storm drain	72,267
	<u>\$ 384,894</u>

NOTE 5 INTERFUND ACTIVITY

The following represents the City's interfund activity for the fiscal year ended June 30, 2013.

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, 2013:

Receivable Fund	Amount	Payable Fund	Amount
Major Funds:		Nonmajor Funds:	
General	\$ 4,889,508	Street Lighting	\$ 172,134
		California Office of Traffic Safety	85,071
		Proposition A	583,306
		Community Development Block Grant	804,473
		ABC Grant Assistance Program	21,310
		State Homeland Security Grant	495,110
		Urban Security Initiative Grant	108,126
		Hawthorne Blvd Mobility Improvement	89,623
		Public Finance Authority	228,590
		CIEDB Police Facility Lease Obligation	61,594
		Internal Service Fund:	
		Insurance Reserve	2,240,171
Totals	\$ 4,889,508		\$ 4,889,508

Advances to Successor Agency

Receivable Fund	Payable Fund	Amount
General	Successor Agency Private	
	Private Purpose Trust Fund	\$ <u>44,046,507</u>

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. Because of the uncertainty of collection by the General Fund, full loan amount of the loan of \$44,046,507 (including \$24,471,652 of accrued interest) has been reserved as potentially uncollectible as of June 30, 2013.

NOTE 5 INTERFUND ACTIVITY (CONTINUED)

Interfund Transfers

Funds	Transfer in	Transfer out
Major Governmental Funds:		
General	\$ -	\$ 2,223,041
Nonmajor Governmental Funds:		
Street	1,704,522	-
Public Finance Authority	727,125	-
CIEDB Police Facility Lease Obligation	1,222,633	-
SBRPCA 2007 Series B Bond	273,283	
Gas Tax	-	1,704,522
Totals	\$ 3,927,563	\$ 3,927,563

The transfer from the gas tax fund to the street fund in the amount of \$1,704,522 was to fund eligible projects and programs in the Street Fund.

The transfer from the general fund to nonmajor funds of \$2,223,041 was for debt service on the 1997 COP bonds in the amount of \$727,125, for debt service on the loan to build the police facility in the amount of \$1,222,633, and for debt service on the 2007 SBRPCA bonds in the amount of \$273,283.

Due from Successor Agency

At June 30, 2013, the due from successor agency comprised of housing 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.

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, 2013:

	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Amount due within one year
Governmental Funds:					
Compensated absences	\$ 7,767,691	\$ 270,911	\$ 1,100,612	\$ 6,937,990	\$ 1,400,000
Other postemployment benefits obligation	5,514,860	3,881,839	2,106,897	7,289,802	-
Capital leases payable	66,657	-	14,197	52,460	16,335
Revenue bonds - 2011 Series A	6,227,391	-	454,939	5,772,452	454,939
Lease payable - police facility	16,116,620	-	578,458	15,538,162	578,458
Loan payable - West Basin	72,647	-	8,939	63,708	5,883
Section 108 loan payable	4,725,000	-	485,000	4,240,000	485,000
SBRPCA 2007 Series B Bond	3,405,000	-	120,000	3,285,000	120,000
2005 Pension Obligation Bonds	23,795,000	-	1,720,000	22,075,000	1,720,000
Total Governmental Funds	67,690,866	4,152,750	6,589,042	65,254,574	4,780,615
Internal Service Funds:					
Claims and judgments	4,013,441	1,292,684	867,026	4,439,099	1,000,000
Compensated absences	10,104	1,502	-	11,606	-
Total Internal Service Funds	4,023,545	1,294,186	867,026	4,450,705	1,000,000
Total Governmental long-term obligations	\$ 71,714,411	\$ 5,446,936	\$ 7,456,068	\$ 69,705,279	\$ 5,780,615
Less:					
Net unamortized bond discount				(77,019)	
Net unamortized bond premium				782,583	
Total governmental funds long term debt				\$ 70,410,843	
Business-Type Funds:					
Compensated absences	\$ 100,551	\$ 4,348	\$ -	\$ 104,899	\$ 30,000

Compensated Absences

As discussed in Note 1 of the financial statements for governmental fund types, the City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) that exceeds expendable, available financial resources is reported in long-term debt. The accrual is calculated in accordance with GASB Code Section C60.109. For governmental activities, the liability will be paid in future years by the General Fund, and for business-type activities, the liability will be paid by the Airport Fund.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Other Postemployment Benefits Obligation

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

Capital Lease Payable

In prior years 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 position. The following is a schedule by years of future minimum lease payments under the capital lease agreement as of June 30, 2013:

Year ending June 30	Principal
2014	\$ 16,335
2015	16,335
2016	16,335
2017	9,529
Total payments	58,534
Less: amount representing interest	6,074
Outstanding Principal, June 30, 2013	\$ 52,460

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
2014	\$ 478,400	\$ 254,627
2015	495,939	244,225
2016	518,184	232,416
2017	540,077	219,154
2018	561,603	204,393
2019-2023	3,178,249	687,246
Total	\$ 5,772,452	\$ 1,842,061

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
2014	\$ 602,002	\$ 620,152
2015	626,503	595,152
2016	652,002	569,135
2017	678,538	542,058
2018	706,155	513,880
2019-2023	3,983,001	2,104,907
2024-2028	4,868,923	1,207,080
2029-2033	3,421,038	212,557
Total	\$ 15,538,162	\$ 6,364,921

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, 2013 was \$63,708. The total debt service requirements to maturity as of June 30, 2013, are as follows:

NOTE 6 LONG-TERM DEBT (CONTINUED)

Year Ending June 30,	Loan Payable West Basin	
	Principal	Interest
2014	\$ 6,183	\$ 3,297
2015	6,500	2,980
2016	6,834	2,646
2017	7,184	2,297
2018	7,552	1,930
2019-2023	29,455	3,607
Total	\$ 63,708	\$ 16,757

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, 2013, are as follows:

Year Ending June 30,	Section 108 Loan	
	Principal	Interest
2014	\$ 355,000	\$ 230,187
2015	355,000	211,958
2016	355,000	193,232
2017	355,000	173,991
2018	355,000	154,341
2019-2023	1,775,000	466,460
2024-2028	690,000	40,796
Total	\$ 4,240,000	\$ 1,470,965

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
2014	\$ 125,000	\$ 148,483
2015	130,000	143,483
2016	135,000	138,120
2017	140,000	132,551
2018	145,000	126,671
2019-2023	830,000	533,919
2024-2028	1,035,000	326,655
2029-2032	745,000	71,963
Total	\$ 3,285,000	\$ 1,621,845

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, 2013, are as follows:

Year Ending June 30,	2005 Pension Obligation Bonds	
	Principal	Interest
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	2,845,000	656,856
2019-2023	10,245,000	1,058,046
Total	\$ 22,075,000	\$ 5,525,571

Claims and Judgments

As of June 30, 2013, 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, 2013, total estimated claims payable were \$4,439,099.

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 former 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, 2013, the bonds outstanding from these Community Facility Districts totaled \$11,840,000.

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, 2013, the bonds outstanding from this Community Facility District totaled \$3,535,000.

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, 2013, the bonds outstanding from this Community Facility District totaled \$13,615,000.

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, 2013, the Special Tax Refunding Bonds outstanding totaled \$5,020,000.

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

NOTE 8 RETIREMENT PLANS

Plan Description

The City of Hawthorne contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 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, 2013, were as follows:

Annual Required Contribution	\$	6,641,543
Interest on net pension asset		(1,813,409)
Adjustment to Annual Required Contribution		<u>2,161,984</u>
Annual pension cost		6,990,118
Annual contributions made		<u>6,641,543</u>
Increase (decrease) in net pension asset		<u>(348,575)</u>
Net pension asset, beginning of year		<u>24,178,780</u>
Net pension asset, end of year	\$	<u><u>23,830,205</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, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	21 years as of the Valuation
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increase	3.30% to 14.20% depending on age, service, and type of employment
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)
6/30/2011	\$ 6,100,000	95.2%	\$ (24,532,454)
6/30/2012	7,100,000	95.0%	(24,178,780)
6/30/2013	7,000,000	95.0%	(23,830,205)

For fiscal year 2012-2013, 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 2012-2013, the annual required contribution (ARC) was \$3,866,119, 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 2012-2013, the City paid \$2,106,897 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	\$	3,866,119
Interest on Net OPEB Obligation		261,956
Adjustments to Annual Required Contribution		<u>(246,236)</u>
Annual OPEB Cost		3,881,839
Annual Contribution Made		<u>2,106,897</u>
Increase (decrease) in Net OPEB Obligation		1,774,942
Net OPEB Obligation, beginning of year		<u>5,514,860</u>
Net OPEB Obligation, end of year	\$	<u><u>7,289,802</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 2012-2013 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
6/30/2011	\$ 3,211,006	\$ 1,910,675	59.50%	\$ 3,042,466
6/30/2012	3,217,964	2,045,901	63.58%	5,514,860
6/30/2013	3,881,839	2,106,897	54.28%	7,289,802

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.

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 June 1, 2013, used the Entry Age Normal actuarial cost method, a discount rate of 7.50% which is the long-term expected rate of return on the City's investment fund, an annual general inflation rate of 2.75%, 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 2012-2013 fiscal year. As of the actuarial valuation date, the City had 243 active participants and 259 recipients.

NOTE 10 INSURANCE

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City established the Insurance Reserve Fund to account for and finance its uninsured risks of loss, and 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 \$4,439,099 reported in the Insurance Reserve Fund at June 30, 2013, 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 2013 and 2012, were as follows:

Fiscal Year	Beginning Balance	Changes in Estimates	Claims Payments	Ending Balance
2011-2012	\$ 5,710,435	\$ 278,564	\$ (1,975,558)	\$ 4,013,441
2012-2013	4,013,441	1,292,684	(867,026)	4,439,099

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.

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 2012-2013, the City was assessed \$3,044,771, 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, 2013, SBRPCA's audited financial information is as follows:

NOTE 12 JOINT VENTURE (CONTINUED)

South Bay Regional Public Communication Authority		
Net Position		
Total assets	\$	10,854,745
Total liabilities		<u>1,348,900</u>
Total net position	\$	<u><u>9,505,845</u></u>

South Bay Regional Public Communication Authority		
Change in Net Position		
Operating revenues	\$	9,334,051
Operating expenses		<u>8,898,326</u>
Operating income (loss)		435,725
Nonoperating revenues (expenses)		<u>(629,958)</u>
Change in net position		(194,233)
Beginning net position		<u>9,700,078</u>
Ending net position	\$	<u><u>9,505,845</u></u>

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

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

South Bay Workforce Investment Board

The South Bay Workforce Investment Board (SBWIB), a consortium formed by the Cities of Carson, Hawthorne, Inglewood, Gardena, El Segundo, Lawndale, Manhattan Beach, Redondo Beach and Hermosa Beach, came under the administrative control of the City of Hawthorne as of February 28, 2000. Prior to this date, the administrative control was under the City of Inglewood. The Board of the SBWIB is appointed by each member city. For program management purposes, SBWIB was considered a department of the City of Hawthorne. Federal, state and local grants received through the City of Hawthorne funded the SBWIB and its purpose was to assist participants in job training and development until it's disaffiliation with the City on December 18, 2012. The financial information for SBWIB was recorded in the Special Revenue Funds as the South Bay Workforce Investment Board. Separate financial statements are not prepared. The SBWIB special revenue fund was closed during fiscal year 2013.

NOTE 13 DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the City recognized deferred outflows of resources in the City's financial statements. The deferred outflow of resources pertains to the unamortized loss on defeasance of debt. Previous financial reporting standards require this amount to be presented as part of the City's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

		Governmental Activities Balance at June 30, 2013
Deferred outflow of resources:		
Unamortized loss on defeasance of debt	\$	<u>103,033</u>

The deferred inflow of resources pertains to unavailable revenues which represent receivables that were not received within the availability period.

		Governmental Activities Balance at June 30, 2013
Deferred inflow of resources:		
Unavailable Revenue - Receivables that were not received within the availability period and were not recognized as revenues	\$	<u>11,171,614</u>

NOTE 14 CHANGE IN ACCOUNTING PRINCIPLE

Pursuant to GASB Statement Number 65, "Items Previously Reported as Assets and Liabilities," the City no longer amortizes the cost of debt issuance. These amounts should be expensed in the year they are incurred. The City made adjustments for these items as a cumulative effect of change in accounting principle in the current fiscal year. This resulted in the beginning net position for governmental being reduced by \$114,342.

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

The accompanying financial statements also include the Private-purpose Trust Fund for the Successor Agency to the City's former Redevelopment Agency (Successor Agency). The City, as the Successor Agency, serves in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Redevelopment Agency. Its assets are held in trust for the benefit of the taxing entities within the former Redevelopment Agency's boundaries and as such, are not available for the use of the City.

Disclosure of Successor Agency Debts

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Due within one year
Note payable	\$ 25,572,438	\$ 1,125,000	\$ 230,000	\$ 26,467,438	\$ -
Tax Allocation Bonds	41,365,000	-	1,440,000	39,925,000	1,510,000
Total	\$ 66,937,438	\$ 1,125,000	\$ 1,670,000	\$ 66,392,438	\$ 1,510,000

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

Balance at
June 30, 2013

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.

\$ 2,635,000

Subtotal Hawthorne Plaza Project Area No. 1 2,635,000

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.

6,245,000

NOTE 15 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.

3,175,000

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.

27,870,000

Subtotal Redevelopment Project Area 2 31,045,000

**Total Tax Allocation
Bonds Payable** \$ 39,925,000

NOTE 15 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.

\$ 26,467,438

Debt Service Requirements to Maturity

The following schedule summarizes the debt service to maturity requirements for bonds outstanding as of June 30, 2013:

Year Ending June 30,	1998 Tax Allocation Refunding Bonds		2001 Tax Allocation Refunding Bonds	
	Principal	Interest	Principal	Interest
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	475,000	216,125	335,000	90,922
2019-2023	2,770,000	690,000	1,155,000	122,547
2024-2028	1,315,000	66,625	-	-
Total	<u>\$ 6,245,000</u>	<u>\$ 2,058,625</u>	<u>\$ 2,635,000</u>	<u>\$ 786,203</u>

NOTE 15 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
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	245,000	94,190	755,000	1,277,000
2019-2023	1,380,000	287,975	4,375,000	5,765,500
2024-2028	645,000	43,875	5,585,000	4,524,713
2029-2033	-	-	7,190,000	2,880,413
2034-2038	-	-	7,230,000	783,561
Total	\$ <u>3,175,000</u>	\$ <u>892,803</u>	\$ <u>27,870,000</u>	\$ <u>20,641,958</u>

Commitments and Contingencies

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 Successor Agency'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.

Prior Period Adjustment

The net position balance of the Successor Agency has been restated as follows:

Net position beginning of year, as previously reported	\$	(114,876,741)
Adjustment:		
Adjustment to write off bond issuance costs to comply with GASB Statement No. 65		(1,575,583)
Net position beginning of year, as restated	\$	<u>(116,452,324)</u>

NOTE 16 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2013 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 26, 2014, 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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Hawthorne
Budgetary Comparison by Department
General Fund
Year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 42,835,479	\$ 42,835,479	\$ 46,389,444	\$ 3,553,965
Licenses and permits	1,635,500	1,635,500	2,144,187	508,687
Intergovernmental	1,807,637	1,907,637	1,751,299	(156,338)
Charges for services	1,538,741	1,668,741	1,774,983	106,242
Fines and forfeitures	2,225,000	2,225,000	2,645,352	420,352
Use of money and property	225,000	225,000	14,514	(210,486)
Contributions	1,980,000	1,980,000	1,810,060	(169,940)
Miscellaneous	2,114,000	2,114,000	1,228,886	(885,114)
Total Revenues	<u>54,361,357</u>	<u>54,591,357</u>	<u>57,758,725</u>	<u>3,167,368</u>
Expenditures				
Current:				
General government				
Mayor and city council	3,164,784	3,164,784	3,981,532	(816,748)
City clerk	67,272	66,850	70,405	(3,555)
City manager	539,827	539,383	519,130	20,253
City treasurer	11,497	11,497	10,252	1,245
City attorney	219,522	210,491	470,302	(259,811)
Administrative services	769,228	759,220	503,906	255,314
Licensing and code enforcement	75,461	75,461	70,184	5,277
Public safety				
Police	30,581,859	30,669,242	30,278,996	390,246
Fire services contract	8,661,804	8,661,804	8,584,975	76,829
Community development				
Planning	511,359	534,087	549,558	(15,471)
Building and safety	1,532,106	1,528,935	1,437,217	91,718
Parks and recreation	1,580,834	1,576,226	1,506,952	69,274
Public works	4,651,923	4,631,047	4,369,170	261,877
Capital outlay	104,727	229,765	166,903	62,862
Debt Service:				
Principal payment	12,000	14,197	14,197	-
Interest & Fiscal Charges	-	2,200	2,139	61
Total Expenditures	<u>52,484,203</u>	<u>52,675,189</u>	<u>52,535,818</u>	<u>139,371</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,877,154</u>	<u>1,916,168</u>	<u>5,222,907</u>	<u>3,027,997</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(2,208,628)</u>	<u>(2,208,416)</u>	<u>(2,223,041)</u>	<u>14,625</u>
Total Other Financing Sources (Uses)	<u>(2,208,628)</u>	<u>(2,208,416)</u>	<u>(2,223,041)</u>	<u>14,625</u>
Change in fund balance	(331,474)	(292,248)	2,999,866	3,292,114
Fund balance, beginning of year	<u>14,153,974</u>	<u>14,153,974</u>	<u>14,153,974</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,822,500</u>	<u>\$ 13,861,726</u>	<u>\$ 17,153,840</u>	<u>\$ 3,292,114</u>

City of Hawthorne
Budgetary Comparison by Department
Hawthorne Housing Authority
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 11,742,756	\$ 11,742,756	\$ 10,758,312	\$ (984,444)
Investment income	1,000	1,000	1,263	263
Other revenue	12,000	12,000	10,543	(1,457)
Total Revenues	<u>11,755,756</u>	<u>11,755,756</u>	<u>10,770,118</u>	<u>(985,638)</u>
Expenditures				
Community Development	11,608,321	11,597,712	11,095,937	501,775
Capital outlay	-	-	-	-
Total Expenditures	<u>11,608,321</u>	<u>11,597,712</u>	<u>11,095,937</u>	<u>501,775</u>
Excess (Deficiency) of Revenues over Expenditures	147,435	158,044	(325,819)	(483,863)
Fund Balances, Beginning	<u>1,761,531</u>	<u>1,761,531</u>	<u>1,761,531</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,908,966</u>	<u>\$ 1,919,575</u>	<u>\$ 1,435,712</u>	<u>\$ (483,863)</u>

City of Hawthorne
Schedule of Funding Progress
Year ended June 30, 2013

PERS - Safety Plan

Actuarial Valuation	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*
Date						
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%
6/30/2012	11,724,021,480	9,854,787,710	1,869,233,770	84.1%	947,734,809	197.2%

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

PERS - Miscellaneous Plan

Actuarial Valuation	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*
Date						
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%
6/30/2012	156,680,486	136,302,528	20,377,958	87.0%	14,858,287	137.1%

*UAAL refers to unfunded actuarial accrued liability.

OPEB

Actuarial Valuation	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)
Date						
3/1/2009	\$ -	\$ 44,113,659	\$ (44,113,659)	0.0%	\$ 21,379,856	206.33%
6/1/2013	-	49,687,089	(49,687,089)	0.0%	14,858,287	334.41%

SUPPLEMENTARY INFORMATION

	Special Revenue						California Office of Traffic Safety
	South Bay Workforce Investment Board	Street Lighting	Gas Tax	Street	Asset Forfeiture	COPS	
ASSETS							
Cash and investments	\$ -	\$ -	\$ 952,804	\$ 303,621	\$ 880,698	\$ 116,044	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-	-
Receivables:							
Accounts	-	-	172,832	5,345	37,728	-	17,154
Taxes	-	15,055	-	6,736	-	23,194	-
Notes and loans	-	-	-	-	-	-	-
Accrued interest	-	-	226	24	184	43	-
Due from other governments	-	-	-	-	-	-	-
Total Assets	\$ -	\$ 15,055	\$ 1,125,862	\$ 315,726	\$ 918,610	\$ 139,281	\$ 17,154
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ 47,150	\$ 67,883	\$ 49,919	\$ 9,281	\$ -	\$ -
Accrued liabilities	-	2,001	-	29,569	-	-	6,570
Unearned revenues	-	-	-	-	810,082	-	-
Deposits payable	-	-	-	-	-	-	-
Due to other funds	-	172,134	-	-	-	-	85,071
Total Liabilities	-	221,285	67,883	79,488	819,363	-	91,641
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	-	-	-	-
Fund balances (deficits)							
Restricted							
Special revenue funds	-	-	1,057,979	236,238	99,247	139,281	-
Capital projects fund	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-
Unassigned	-	(206,230)	-	-	-	-	(74,487)
Total fund balances (deficits)	-	(206,230)	1,057,979	236,238	99,247	139,281	(74,487)
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 15,055	\$ 1,125,862	\$ 315,726	\$ 918,610	\$ 139,281	\$ 17,154

**City of Hawthorne
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

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
\$ -	\$ 1,486,175	\$ -	\$ 968,756	\$ 172,483	\$ -	\$ -
-	-	-	-	-	-	-
16,504	-	-	-	26,864	245,316	-
-	-	-	-	-	-	-
-	-	-	-	-	1,512,180	15,600
-	295	-	179	34	-	-
-	-	-	-	-	231,650	-
<u>\$ 16,504</u>	<u>\$ 1,486,470</u>	<u>\$ -</u>	<u>\$ 968,935</u>	<u>\$ 199,381</u>	<u>\$ 1,989,146</u>	<u>\$ 15,600</u>
\$ 71,393	\$ -	\$ 48,218	\$ 29,079	\$ 200	3,406	\$ -
7,214	2,333	-	3,327	-	5,330	-
-	-	-	-	-	35,994	-
-	-	-	-	-	17,897	-
-	-	583,306	-	-	804,473	-
<u>78,607</u>	<u>2,333</u>	<u>631,524</u>	<u>32,406</u>	<u>200</u>	<u>867,100</u>	<u>-</u>
-	-	-	-	-	1,512,180	15,600
-	1,484,137	-	936,529	199,181	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(62,103)</u>	<u>-</u>	<u>(631,524)</u>	<u>-</u>	<u>-</u>	<u>(390,134)</u>	<u>-</u>
<u>(62,103)</u>	<u>1,484,137</u>	<u>(631,524)</u>	<u>936,529</u>	<u>199,181</u>	<u>(390,134)</u>	<u>-</u>
<u>\$ 16,504</u>	<u>\$ 1,486,470</u>	<u>\$ -</u>	<u>\$ 968,935</u>	<u>\$ 199,381</u>	<u>\$ 1,989,146</u>	<u>\$ 15,600</u>

Continued

	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
ASSETS							
Cash and investments	\$ 162,271	\$ 59,685	\$ 1,500,451	\$ -	\$ 15,153	\$ -	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-	-
Receivables:							
Accounts	-	-	54,470	20,024	-	495,110	112,742
Taxes	-	-	-	-	-	-	-
Notes and loans	2,351,024	-	-	-	-	-	-
Accrued interest	-	12	293	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Total Assets	\$ 2,513,295	\$ 59,697	\$ 1,555,214	\$ 20,024	\$ 15,153	\$ 495,110	\$ 112,742
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ 1,240	\$ -	\$ -	\$ -	\$ -	\$ 4,616
Accrued liabilities	-	189	-	4,955	-	-	-
Unearned revenues	171,670	40,166	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	21,310	-	495,110	108,126
Total Liabilities	171,670	41,595	-	26,265	-	495,110	112,742
Deferred Inflows of Resources							
Unavailable revenue	2,351,024	-	-	-	-	-	-
Fund balances (deficits)							
Restricted							
Special revenue funds	-	18,102	1,555,214	-	15,153	-	-
Capital projects fund	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-
Unassigned	(9,399)	-	-	(6,241)	-	-	-
Total fund balances (deficits)	(9,399)	18,102	1,555,214	(6,241)	15,153	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ 2,513,295	\$ 59,697	\$ 1,555,214	\$ 20,024	\$ 15,153	\$ 495,110	112,742

**City of Hawthorne
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2013**

Special Revenue		Capital Projects Fund	Debt Service Funds				Total Nonmajor Governmental Funds
Hawthorne Blvd Mobility Improvement Program	Sustainable Community Planning Grant	Development Impact	Public Financing Authority	CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond	
\$ -	\$ -	\$ 2,633,117	\$ -	\$ -	\$ 19,130	\$ 291,404	\$ 9,561,792
-	-	-	1,334,190	-	-	349,261	1,683,451
89,623	282	-	-	-	-	-	1,293,994
-	-	-	-	-	-	-	44,985
-	-	-	-	-	-	-	3,878,804
-	-	524	-	-	-	60	1,874
-	-	-	-	-	-	-	231,650
<u>\$ 89,623</u>	<u>\$ 282</u>	<u>\$ 2,633,641</u>	<u>\$ 1,334,190</u>	<u>\$ -</u>	<u>\$ 19,130</u>	<u>\$ 640,725</u>	<u>\$ 16,696,550</u>
\$ -	\$ 22,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 354,664
-	-	-	-	-	-	-	61,488
-	-	-	-	-	-	-	1,057,912
-	-	-	-	-	-	-	17,897
<u>89,623</u>	<u>-</u>	<u>-</u>	<u>228,590</u>	<u>61,594</u>	<u>-</u>	<u>-</u>	<u>2,649,337</u>
<u>89,623</u>	<u>22,279</u>	<u>-</u>	<u>228,590</u>	<u>61,594</u>	<u>-</u>	<u>-</u>	<u>4,141,298</u>
-	-	-	-	-	-	-	3,878,804
-	-	-	-	-	-	-	5,741,061
-	-	2,633,641	-	-	-	-	2,633,641
-	-	-	1,105,600	-	19,130	640,725	1,765,455
-	(21,997)	-	-	(61,594)	-	-	(1,463,709)
<u>-</u>	<u>(21,997)</u>	<u>2,633,641</u>	<u>1,105,600</u>	<u>(61,594)</u>	<u>19,130</u>	<u>640,725</u>	<u>8,676,448</u>
<u>89,623</u>	<u>282</u>	<u>\$ 2,633,641</u>	<u>\$ 1,334,190</u>	<u>\$ -</u>	<u>\$ 19,130</u>	<u>\$ 640,725</u>	<u>\$ 16,696,550</u>

	Special Revenue					
	South Bay Workforce Investment Board	Street Lighting	Gas Tax	Street	Asset Forfeiture	COPS
Revenues						
Taxes	\$ -	\$ 571,368	\$ 2,020,477	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	4,731,339	160,000	-	194,167	-	135,961
Charges for services	-	-	-	192,297	-	-
Fines and forfeitures	-	-	-	-	333,616	-
Investment income	-	-	1,248	29	572	172
Other revenue	-	-	-	-	-	-
Total revenues	4,731,339	731,368	2,021,725	386,493	334,188	136,133
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	262,590	-
Public works	-	620,900	406,557	1,794,104	-	100,000
Community development	5,282,095	-	-	-	-	-
Capital outlay	-	-	-	449	65,913	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	5,282,095	620,900	406,557	1,794,553	328,503	100,000
Excess (Deficiency) of revenues over expenditures	(550,756)	110,468	1,615,168	(1,408,060)	5,685	36,133
Other Financing Sources (Uses)						
Transfers in	-	-	-	1,704,522	-	-
Transfers out	-	-	(1,704,522)	-	-	-
Total other financing sources (uses)	-	-	(1,704,522)	1,704,522	-	-
Change in fund balances	(550,756)	110,468	(89,354)	296,462	5,685	36,133
Fund balances, beginning	550,756	(316,698)	1,147,333	(60,224)	93,562	103,148
Fund balances - ending	\$ -	\$ (206,230)	\$ 1,057,979	\$ 236,238	\$ 99,247	\$ 139,281

City of Hawthorne
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2013

Special Revenue						
California Office of Traffic Safety	Local Law Enforcement Block Grant	MTA Measure R	Proposition A	Proposition C	Air Quality	Community Development Block Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
91,234	37,353	945,468	1,392,962	1,156,841	102,594	1,217,661
-	-	-	13,971	-	-	-
-	-	-	-	-	-	-
-	-	1,560	-	619	198	9,454
-	-	-	-	-	-	-
91,234	37,353	947,028	1,406,933	1,157,460	102,792	1,227,115
-	-	-	-	-	-	-
92,191	41,008	-	-	-	-	-
-	-	499,794	1,223,875	252,398	-	-
-	-	-	-	-	104,360	481,421
-	23,184	-	-	60,000	-	-
-	-	-	-	-	-	485,000
-	-	-	-	-	-	251,240
92,191	64,192	499,794	1,223,875	312,398	104,360	1,217,661
(957)	(26,839)	447,234	183,058	845,062	(1,568)	9,454
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(957)	(26,839)	447,234	183,058	845,062	(1,568)	9,454
(73,530)	(35,264)	1,036,903	(814,582)	91,467	200,749	(399,588)
\$ (74,487)	\$ (62,103)	\$ 1,484,137	\$ (631,524)	\$ 936,529	\$ 199,181	\$ (390,134)

	Special Revenue							
	American Down Payment Dream Program	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
Revenues								
Taxes	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	8,073	7,686	-	36,635	-	495,110	112,742
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment income	-	44,716	50	1,644	-	-	-	-
Other revenue	-	-	-	362,284	-	-	-	-
Total revenues	-	52,789	7,736	363,928	36,635	-	495,110	112,742
Expenditures								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	36,644	-	-	-
Public works	-	-	7,686	600,480	-	-	-	-
Community development	-	8,073	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	495,110	112,742
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	-	8,073	7,686	600,480	36,644	-	495,110	112,742
Excess (Deficiency) of revenues over expenditures	-	44,716	50	(236,552)	(9)	-	-	-
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Change in fund balances	-	44,716	50	(236,552)	(9)	-	-	-
Fund balances, beginning	-	(54,115)	18,052	1,791,766	(6,232)	15,153	-	-
Fund balances - ending	\$ -	\$ (9,399)	\$ 18,102	\$ 1,555,214	\$ (6,241)	\$ 15,153	\$ -	\$ -

City of Hawthorne
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year ended June 30, 2013

Special Revenue		Capital Projects Fund	Debt Service Funds				Total Nonmajor Governmental Funds
Hawthorne Blvd Mobility Improvement Program	Sustainable Community Planning Grant	Development Impact	Public Financing Authority	CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,591,845
-	-	552,181	-	-	-	-	552,181
400,255	282	-	-	-	-	-	11,226,363
-	-	-	-	-	-	-	206,268
-	-	-	-	-	-	-	333,616
-	-	3,033	67	-	-	373	63,735
-	-	-	-	-	2,171,020	-	2,533,304
<u>400,255</u>	<u>282</u>	<u>555,214</u>	<u>67</u>	<u>-</u>	<u>2,171,020</u>	<u>373</u>	<u>17,507,312</u>
-	-	-	4,404	49,190	96	4,696	58,386
-	-	-	-	-	-	-	432,433
400,255	-	-	-	-	-	-	5,906,049
-	22,279	530,505	-	-	-	-	6,428,733
-	-	-	-	-	-	-	757,398
-	-	-	454,939	578,458	1,720,000	120,000	3,358,397
-	-	-	255,897	644,175	1,147,322	153,283	2,451,917
<u>400,255</u>	<u>22,279</u>	<u>530,505</u>	<u>715,240</u>	<u>1,271,823</u>	<u>2,867,418</u>	<u>277,979</u>	<u>19,393,313</u>
-	(21,997)	24,709	(715,173)	(1,271,823)	(696,398)	(277,606)	(1,886,001)
-	-	-	727,125	1,222,633	-	273,283	3,927,563
-	-	-	-	-	-	-	(1,704,522)
-	-	-	727,125	1,222,633	-	273,283	2,223,041
-	(21,997)	24,709	11,952	(49,190)	(696,398)	(4,323)	337,040
-	-	2,608,932	1,093,648	(12,404)	715,528	645,048	8,339,408
<u>\$ -</u>	<u>\$ (21,997)</u>	<u>\$ 2,633,641</u>	<u>\$ 1,105,600</u>	<u>\$ (61,594)</u>	<u>\$ 19,130</u>	<u>\$ 640,725</u>	<u>\$ 8,676,448</u>

**City of Hawthorne
Budgetary Comparison Schedule
South Bay Workforce Investment Board
Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 14,712,708	\$ 14,712,708	\$ 4,731,339	\$ (9,981,369)
Total Revenues	<u>14,712,708</u>	<u>14,712,708</u>	<u>4,731,339</u>	<u>(9,981,369)</u>
Expenditures				
Community development	<u>14,535,036</u>	<u>14,525,051</u>	<u>5,282,095</u>	<u>9,242,956</u>
Total Expenditures	<u>14,535,036</u>	<u>14,525,051</u>	<u>5,282,095</u>	<u>9,242,956</u>
Excess (Deficiency) of Revenues over Expenditures	<u>177,672</u>	<u>187,657</u>	<u>(550,756)</u>	<u>(738,413)</u>
Net Change in Fund Balances	177,672	187,657	(550,756)	(738,413)
Fund Balances, Beginning	<u> </u>	<u>550,756</u>	<u>550,756</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 177,672</u>	<u>\$ 738,413</u>	<u>\$ -</u>	<u>\$ (738,413)</u>

City of Hawthorne
Budgetary Comparison Schedule
Street Lighting
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 538,000	\$ 538,000	\$ 571,368	\$ 33,368
Intergovernmental	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Total Revenues	<u>698,000</u>	<u>698,000</u>	<u>731,368</u>	<u>33,368</u>
Expenditures				
Public Works	<u>689,228</u>	<u>687,310</u>	<u>620,900</u>	<u>66,410</u>
Total Expenditures	<u>689,228</u>	<u>687,310</u>	<u>620,900</u>	<u>66,410</u>
Excess (Deficiency) of Revenues over Expenditures	<u>8,772</u>	<u>10,690</u>	<u>110,468</u>	<u>99,778</u>
Net Change in Fund Balances	8,772	10,690	110,468	99,778
Fund Balances, Beginning	<u>(316,698)</u>	<u>(316,698)</u>	<u>(316,698)</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ (307,926)</u></u>	<u><u>\$ (306,008)</u></u>	<u><u>\$ (206,230)</u></u>	<u><u>\$ 99,778</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Gas Tax
Year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	2,343,234	\$ 2,343,234	\$ 2,020,477	\$ (322,757)
Investment Income	-	-	1,248	1,248
Total Revenues	<u>2,343,234</u>	<u>2,343,234</u>	<u>2,021,725</u>	<u>(321,509)</u>
Expenditures				
Public works	512,488	506,610	406,557	100,053
Total Expenditures	<u>512,488</u>	<u>506,610</u>	<u>406,557</u>	<u>100,053</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,830,746</u>	<u>1,836,624</u>	<u>1,615,168</u>	<u>(221,456)</u>
Other Financing Sources (Uses)				
Transfers Out	(1,704,522)	(1,704,522)	(1,704,522)	-
Total Other Financing Sources (Uses)	<u>(1,704,522)</u>	<u>(1,704,522)</u>	<u>(1,704,522)</u>	<u>-</u>
Net Change in Fund Balances	126,224	132,102	(89,354)	(221,456)
Fund Balances, Beginning	<u>1,147,333</u>	<u>1,147,333</u>	<u>1,147,333</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,273,557</u>	<u>\$ 1,279,435</u>	<u>\$ 1,057,979</u>	<u>\$ (221,456)</u>

City of Hawthorne
Budgetary Comparison Schedule
Street
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 170,584	\$ 196,654	\$ 194,167	\$ (2,487)
Charges for services	182,000	182,000	192,297	10,297
Investment income	-	-	29	29
	<u>352,584</u>	<u>378,654</u>	<u>386,493</u>	<u>7,839</u>
Total Revenues				
Expenditures				
Public Works	1,951,459	1,967,681	1,794,104	173,577
Capital outlay	-	-	449	(449)
	<u>1,951,459</u>	<u>1,967,681</u>	<u>1,794,553</u>	<u>173,128</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>(1,598,875)</u>	<u>(1,589,027)</u>	<u>(1,408,060)</u>	<u>180,967</u>
Other Financing Sources (Uses)				
Transfers in	<u>1,704,522</u>	<u>1,704,522</u>	<u>1,704,522</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,704,522</u>	<u>1,704,522</u>	<u>1,704,522</u>	<u>-</u>
Net Change in Fund Balances	105,647	115,495	296,462	180,967
Fund Balances, Beginning	<u>(60,224)</u>	<u>(60,224)</u>	<u>(60,224)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 45,423</u>	<u>\$ 55,271</u>	<u>\$ 236,238</u>	<u>\$ 180,967</u>

City of Hawthorne
Budgetary Comparison Schedule
Asset Forfeiture
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ 300,000	\$ 300,000	\$ 333,616	\$ 33,616
Investment income	<u>50</u>	<u>50</u>	<u>572</u>	<u>522</u>
Total Revenues	<u>300,050</u>	<u>300,050</u>	<u>334,188</u>	<u>34,138</u>
Expenditures				
Public safety	250,000	250,000	262,590	(12,590)
Capital outlay	<u>5,590</u>	<u>5,590</u>	<u>65,913</u>	<u>(60,323)</u>
Total Expenditures	<u>255,590</u>	<u>255,590</u>	<u>328,503</u>	<u>(72,913)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>44,460</u>	<u>44,460</u>	<u>5,685</u>	<u>(38,775)</u>
Net Change in Fund Balances	44,460	44,460	5,685	(38,775)
Fund Balances, Beginning	<u>93,562</u>	<u>93,562</u>	<u>93,562</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>138,022</u></u>	\$ <u><u>138,022</u></u>	\$ <u><u>99,247</u></u>	\$ <u><u>(38,775)</u></u>

City of Hawthorne
Budgetary Comparison Schedule
COPS
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 135,961	\$ 35,961
Investment income	-	-	172	172
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>136,133</u>	<u>36,133</u>
Expenditures				
Public works	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>100,000</u>	<u>-</u>	<u>36,133</u>	<u>36,133</u>
Net Change in Fund Balances	100,000	-	36,133	36,133
Fund Balances, Beginning	<u>103,148</u>	<u>103,148</u>	<u>103,148</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 203,148</u>	<u>\$ 103,148</u>	<u>\$ 139,281</u>	<u>\$ 36,133</u>

**City of Hawthorne
 Budgetary Comparison Schedule
 California Office of Traffic Safety
 Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ 161,760	\$ 91,234	\$ (70,526)
Total Revenues	<u>-</u>	<u>161,760</u>	<u>91,234</u>	<u>(70,526)</u>
Expenditure				
Public safety	<u>-</u>	<u>161,760</u>	<u>92,191</u>	<u>69,569</u>
Total Expenditures	<u>-</u>	<u>161,760</u>	<u>92,191</u>	<u>(69,569)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(957)</u>	<u>(957)</u>
Net Change in Fund Balances	-	-	(957)	(957)
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>(74,487)</u></u>	\$ <u><u>(957)</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Local Law Enforcement Block Grant
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 275,018	\$ 328,686	\$ 37,353	\$ (291,333)
Total Revenues	<u>275,018</u>	<u>328,686</u>	<u>37,353</u>	<u>(291,333)</u>
Expenditures				
Public Safety	132,692	156,236	41,008	115,228
Capital outlay	<u>43,270</u>	<u>73,394</u>	<u>23,184</u>	<u>50,210</u>
Total Expenditures	<u>175,962</u>	<u>229,630</u>	<u>64,192</u>	<u>165,438</u>
Excess (Deficiency) of Revenues over Expenditures	<u>99,056</u>	<u>99,056</u>	<u>(26,839)</u>	<u>(125,895)</u>
Net Change in Fund Balances	99,056	99,056	(26,839)	(125,895)
Fund Balances, Beginning	<u>(35,264)</u>	<u>(35,264)</u>	<u>(35,264)</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>63,792</u></u>	\$ <u><u>63,792</u></u>	\$ <u><u>(62,103)</u></u>	\$ <u><u>(125,895)</u></u>

City of Hawthorne
Budgetary Comparison Schedule
MTA Measure R
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 771,000	\$ 771,000	\$ 945,468	\$ 174,468
Investment income	-	-	1,559	1,559
Total Revenues	<u>771,000</u>	<u>771,000</u>	<u>947,027</u>	<u>176,027</u>
Expenditures				
Public works	<u>739,903</u>	<u>739,903</u>	<u>499,793</u>	<u>240,110</u>
Total Expenditures	<u>739,903</u>	<u>739,903</u>	<u>499,793</u>	<u>240,110</u>
Excess (Deficiency) of Revenues over Expenditures	<u>31,097</u>	<u>31,097</u>	<u>447,234</u>	<u>416,137</u>
Net Change in Fund Balances	31,097	31,097	447,234	416,137
Fund Balances, Beginning	<u>1,036,903</u>	<u>1,036,903</u>	<u>1,036,903</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,068,000</u>	<u>\$ 1,068,000</u>	<u>\$ 1,484,137</u>	<u>\$ 416,137</u>

City of Hawthorne
Budgetary Comparison Schedule
Proposition A
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,240,000	\$ 1,240,000	\$ 1,392,962	\$ 152,962
Charges for services	<u>12,500</u>	<u>12,500</u>	<u>13,971</u>	<u>1,471</u>
Total Revenues	<u>1,252,500</u>	<u>1,252,500</u>	<u>1,406,933</u>	<u>154,433</u>
Expenditures				
Public works	<u>1,163,760</u>	<u>1,163,760</u>	<u>1,223,875</u>	<u>(60,115)</u>
Total Expenditures	<u>1,163,760</u>	<u>1,163,760</u>	<u>1,223,875</u>	<u>60,115</u>
Excess (Deficiency) of Revenues over Expenditures	<u>88,740</u>	<u>88,740</u>	<u>183,058</u>	<u>94,318</u>
Net Change in Fund Balances	88,740	88,740	183,058	94,318
Fund Balances, Beginning	<u>(814,582)</u>	<u>(814,582)</u>	<u>(814,582)</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>(725,842)</u></u>	\$ <u><u>(725,842)</u></u>	\$ <u><u>(631,524)</u></u>	\$ <u><u>94,318</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Proposition C
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,067,005	\$ 1,067,005	\$ 1,156,841	\$ 89,836
Investment income	-	-	619	619
Total Revenues	<u>1,067,005</u>	<u>1,067,005</u>	<u>1,157,460</u>	<u>90,455</u>
Expenditures				
Public works	1,110,281	1,048,066	252,398	795,668
	-	60,000	60,000	-
Total Expenditures	<u>1,110,281</u>	<u>1,108,066</u>	<u>312,398</u>	<u>795,668</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(43,276)</u>	<u>(41,061)</u>	<u>845,062</u>	<u>886,123</u>
Net Change in Fund Balances	(43,276)	(41,061)	845,062	886,123
Fund Balances, Beginning	<u>91,467</u>	<u>91,467</u>	<u>91,467</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>48,191</u></u>	\$ <u><u>50,406</u></u>	\$ <u><u>936,529</u></u>	\$ <u><u>886,123</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Air Quality
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 103,000	\$ 103,000	\$ 102,594	\$ (406)
Investment income	-	-	198	198
Total Revenues	<u>103,000</u>	<u>103,000</u>	<u>102,792</u>	<u>(208)</u>
Expenditures				
Community development	<u>103,540</u>	<u>103,540</u>	<u>104,360</u>	<u>(820)</u>
Total Expenditures	<u>103,540</u>	<u>103,540</u>	<u>104,360</u>	<u>(820)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(540)</u>	<u>(540)</u>	<u>(1,568)</u>	<u>(1,028)</u>
Net Change in Fund Balances	(540)	(540)	(1,568)	(1,028)
Fund Balances, Beginning	<u>200,749</u>	<u>200,749</u>	<u>200,749</u>	-
Fund Balances, Ending	<u>\$ 200,209</u>	<u>\$ 200,209</u>	<u>\$ 199,181</u>	<u>\$ (1,028)</u>

**City of Hawthorne
Budgetary Comparison Schedule
Community Development Block Grant
Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,174,706	\$ 1,174,706	\$ 1,217,661	\$ 42,955
Investment income	<u>35,000</u>	<u>35,000</u>	<u>9,454</u>	<u>(25,546)</u>
Total Revenues	<u>1,209,706</u>	<u>1,209,706</u>	<u>1,227,115</u>	<u>17,409</u>
Expenditures				
Community development	469,352	468,704	481,421	(12,717)
Debt service:				
Principal retirement	485,000	485,000	485,000	-
Interest and fiscal changes	<u>251,240</u>	<u>251,240</u>	<u>251,240</u>	<u>-</u>
Total Expenditures	<u>1,205,592</u>	<u>1,204,944</u>	<u>1,217,661</u>	<u>(12,717)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,114</u>	<u>4,762</u>	<u>9,454</u>	<u>4,692</u>
Net Change in Fund Balances	4,114	4,762	9,454	4,692
Fund Balances, Beginning	<u>(399,588)</u>	<u>(399,588)</u>	<u>(399,588)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (395,474)</u>	<u>\$ (394,826)</u>	<u>\$ (390,134)</u>	<u>\$ 4,692</u>

City of Hawthorne
Budgetary Comparison Schedule
HOME Grant
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 454,515	\$ 454,515	\$ 8,073	\$ (446,442)
Investment income	<u>45,000</u>	<u>45,000</u>	<u>44,716</u>	<u>(284)</u>
Total Revenues	<u>499,515</u>	<u>499,515</u>	<u>52,789</u>	<u>(446,726)</u>
Expenditures				
Community development	<u>498,807</u>	<u>498,381</u>	<u>8,073</u>	<u>490,308</u>
Total Expenditures	<u>498,807</u>	<u>498,381</u>	<u>8,073</u>	<u>490,308</u>
Excess (Deficiency) of Revenues over Expenditures	<u>708</u>	<u>1,134</u>	<u>44,716</u>	<u>43,582</u>
Net Change in Fund Balances	708	1,134	44,716	43,582
Fund Balances, Beginning	<u>(54,115)</u>	<u>(54,115)</u>	<u>(54,115)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (53,407)</u>	<u>\$ (52,981)</u>	<u>\$ (9,399)</u>	<u>\$ 43,582</u>

**City of Hawthorne
Budgetary Comparison Schedule
California Used Oil Recycling
Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 21,000	\$ 21,000	\$ 7,686	\$ (13,314)
Investment income	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Total Revenues	<u>21,000</u>	<u>21,000</u>	<u>7,736</u>	<u>(13,264)</u>
Expenditures				
Public works	<u>8,797</u>	<u>8,797</u>	<u>7,686</u>	<u>1,111</u>
Total Expenditures	<u>8,797</u>	<u>8,797</u>	<u>7,686</u>	<u>(1,111)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>12,203</u>	<u>12,203</u>	<u>50</u>	<u>(12,153)</u>
Net Change in Fund Balances	12,203	12,203	50	(12,153)
Fund Balances, Beginning	<u>18,052</u>	<u>18,052</u>	<u>18,052</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 30,255</u>	<u>\$ 30,255</u>	<u>\$ 18,102</u>	<u>\$ (12,153)</u>

City of Hawthorne
Budgetary Comparison Schedule
2009 Street Improvements
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 889,480	\$ 1,489,480	\$ -	\$ (1,489,480)
Investment income	-	-	1,644	1,644
Other revenue	<u>3,774,351</u>	<u>3,774,351</u>	<u>362,284</u>	<u>(3,412,067)</u>
Total Revenues	<u>4,663,831</u>	<u>5,263,831</u>	<u>363,928</u>	<u>(4,899,903)</u>
Expenditures				
Public works	600,000	1,200,000	600,480	599,520
Capital Outlay	<u>653,024</u>	<u>653,024</u>	<u>-</u>	<u>653,024</u>
Total Expenditures	<u>1,253,024</u>	<u>1,853,024</u>	<u>600,480</u>	<u>1,252,544</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,410,807</u>	<u>3,410,807</u>	<u>(236,552)</u>	<u>(3,647,359)</u>
Net Change in Fund Balances	3,410,807	3,410,807	(236,552)	(3,647,359)
Fund Balances, Beginning	<u>1,791,766</u>	<u>1,791,766</u>	<u>1,791,766</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 5,202,573</u>	<u>\$ 5,202,573</u>	<u>\$ 1,555,214</u>	<u>\$ (3,647,359)</u>

City of Hawthorne
Budgetary Comparison Schedule
ABC Grant Assistance Program
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ 44,429	\$ 36,635	\$ (7,794)
Total Revenues		<u>44,429</u>	<u>36,635</u>	<u>(7,794)</u>
Expenditures				
Public safety	-	41,929	36,644	5,285
Total Expenditures	<u>-</u>	<u>41,929</u>	<u>36,644</u>	<u>(5,285)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>2,500</u>	<u>(9)</u>	<u>(2,509)</u>
Net Change in Fund Balances		2,500	(9)	(2,509)
Fund Balances, Beginning	<u>(6,232)</u>	<u>(6,232)</u>	<u>(6,232)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (6,232)</u>	<u>\$ (3,732)</u>	<u>\$ (6,241)</u>	<u>\$ (2,509)</u>

City of Hawthorne
Budgetary Comparison Schedule
HPRP Funds
Year ended June 30, 2013

	<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 works	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	<u>15,153</u>	<u>15,153</u>	<u>15,153</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>15,153</u></u>	\$ <u><u>15,153</u></u>	\$ <u><u>15,153</u></u>	\$ <u><u>-</u></u>

**City of Hawthorne
Budgetary Comparison Schedule
State Homeland Security Grant Program
Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ 966,878	\$ 495,110	\$ (471,768)
Total Revenues	<u>-</u>	<u>966,878</u>	<u>495,110</u>	<u>(471,768)</u>
Expenditures				
Capital outlay	<u>-</u>	<u>966,878</u>	<u>495,110</u>	<u>471,768</u>
Total Expenditures	<u>-</u>	<u>966,878</u>	<u>495,110</u>	<u>471,768</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

**City of Hawthorne
Budgetary Comparison Schedule
Urban Security Initiative Grant Program
Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 10,730	\$ 199,503	\$ 112,742	\$ (86,761)
Total Revenues	<u>10,730</u>	<u>199,503</u>	<u>112,742</u>	<u>(86,761)</u>
Expenditures				
Capital outlay	<u>10,730</u>	<u>187,003</u>	<u>112,742</u>	<u>74,261</u>
Total Expenditures	<u>10,730</u>	<u>187,003</u>	<u>112,742</u>	<u>74,261</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>(12,500)</u>
Net Change in Fund Balances	-	12,500	-	(12,500)
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>-</u></u>	\$ <u><u>12,500</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(12,500)</u></u>

**City of Hawthorne
Budgetary Comparison Schedule
Hawthorne Boulevard Mobility Improvement Program
Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 6,986,671	\$ 6,986,671	\$ 400,255	\$ (6,586,416)
Total Revenues	<u>6,986,671</u>	<u>6,986,671</u>	<u>400,255</u>	<u>(6,586,416)</u>
Expenditures				
Capital outlay	<u>6,986,671</u>	<u>6,986,671</u>	<u>400,255</u>	<u>6,586,416</u>
Total Expenditures	<u>6,986,671</u>	<u>6,986,671</u>	<u>400,255</u>	<u>6,586,416</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

**City of Hawthorne
Budgetary Comparison Schedule
Sustainable Community Planning Grant
Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ 277,000	\$ 282	\$ (276,718)
Total Revenues	<u>-</u>	<u>277,000</u>	<u>282</u>	<u>(276,718)</u>
Expenditures				
Capital outlay	<u>-</u>	<u>277,000</u>	<u>22,279</u>	<u>254,721</u>
Total Expenditures	<u>-</u>	<u>277,000</u>	<u>22,279</u>	<u>254,721</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(21,997)</u>	<u>(21,997)</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(21,997)</u>	<u>(21,997)</u>
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,997)</u>	<u>\$ (21,997)</u>

**City of Hawthorne
 Budgetary Comparison Schedule
 Development Impact
 Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenue				
Licenses and permits	\$ 150,000	\$ 150,000	\$ 552,181	\$ 402,181
Investment income	-	-	3,033	3,033
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>555,214</u>	<u>405,214</u>
Expenditures				
Community development	<u>530,505</u>	<u>530,505</u>	<u>530,505</u>	-
Total Expenditures	<u>530,505</u>	<u>530,505</u>	<u>530,505</u>	-
Excess (Deficiency) of Revenues over Expenditures	<u>(380,505)</u>	<u>(380,505)</u>	<u>24,709</u>	<u>405,214</u>
Net Change in Fund Balances	(380,505)	(380,505)	24,709	405,214
Fund Balances, Beginning	<u>2,608,932</u>	<u>2,608,932</u>	<u>2,608,932</u>	-
Fund Balances, Ending	<u>\$ 2,228,427</u>	<u>\$ 2,228,427</u>	<u>\$ 2,633,641</u>	<u>\$ 405,214</u>

City of Hawthorne
Budgetary Comparison Schedule
Public Financing Authority
Year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other revenue	\$ -	\$ -	\$ 67	\$ 67
Total Revenues	-	-	67	67
Expenditures				
General government	5,204	5,204	4,404	800
Debt service:				
Principal retirement	415,000	415,000	454,939	(39,939)
Interest and fiscal changes	297,500	297,500	255,897	41,603
Total Expenditures	717,704	717,704	715,240	2,464
Excess (Deficiency) of Revenues over Expenditures	(717,704)	(717,704)	(715,173)	2,531
Other Financing Sources (Uses)				
Transfers In	712,500	712,500	727,125	14,625
Total Other Financing Sources (Uses)	712,500	712,500	727,125	14,625
Net Change in Fund Balances	(5,204)	(5,204)	11,952	17,156
Fund Balances, Beginning	1,093,648	1,093,648	1,093,648	-
Fund Balances, Ending	\$ 1,088,444	\$ 1,088,444	\$ 1,105,600	\$ 17,156

City of Hawthorne
Budgetary Comparison Schedule
CIEDB Police Facility Lease Obligation
Year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
General Government	52,840	52,840	49,190	3,650
Debt Service:				-
Principal retirement	578,458	578,458	578,458	-
Interest & Fiscal Charges	644,175	644,175	644,175	-
Total Expenditures	<u>1,275,473</u>	<u>1,275,473</u>	<u>1,271,823</u>	<u>3,650</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,275,473)</u>	<u>(1,275,473)</u>	<u>(1,271,823)</u>	<u>3,650</u>
Other Financing Sources (Uses)				
Transfer In	<u>1,222,633</u>	<u>1,222,633</u>	<u>1,222,633</u>	-
Total Other Financing Sources (Uses)	<u>1,222,633</u>	<u>1,222,633</u>	<u>1,222,633</u>	-
Net Change in Fund Balances	(52,840)	(52,840)	(49,190)	3,650
Fund Balances, Beginning	<u>(12,404)</u>	<u>(12,404)</u>	<u>(12,404)</u>	-
Fund Balances, Ending	<u>\$ (65,244)</u>	<u>\$ (65,244)</u>	<u>\$ (61,594)</u>	<u>\$ 3,650</u>

City of Hawthorne
Budgetary Comparison Schedule
2005 PERS Obligation Bonds
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Other revenue	\$ 2,432,591	\$ 2,432,591	\$ 2,171,020	\$ (261,571)
Total Revenues	<u>2,432,591</u>	<u>2,432,591</u>	<u>2,171,020</u>	<u>(261,571)</u>
Expenditures				
General Government	208	208	96	112
Debt service:				-
Principal retirement	1,920,000	1,920,000	1,720,000	200,000
Interest and fiscal changes	<u>1,107,724</u>	<u>1,107,724</u>	<u>1,147,322</u>	<u>(39,598)</u>
Total Expenditures	<u>3,027,932</u>	<u>3,027,932</u>	<u>2,867,418</u>	<u>160,514</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(595,341)</u>	<u>(595,341)</u>	<u>(696,398)</u>	<u>(101,057)</u>
Net Change in Fund Balances	(595,341)	(595,341)	(696,398)	(101,057)
Fund Balances, Beginning	<u>715,528</u>	<u>715,528</u>	<u>715,528</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 120,187</u>	<u>\$ 120,187</u>	<u>\$ 19,130</u>	<u>\$ (101,057)</u>

City of Hawthorne
Budgetary Comparison Schedule
SBRPCA 2007 Series B Bond
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Investment Income	\$ -	\$ -	\$ 373	\$ 373
Total Revenues	<u>-</u>	<u>-</u>	<u>373</u>	<u>373</u>
Expenditures				
General government	5,108	5,108	4,696	412
Debt service:				
Principal retirement	120,000	120,000	120,000	-
Interest and fiscal changes	<u>153,283</u>	<u>153,283</u>	<u>153,283</u>	<u>-</u>
Total Expenditures	<u>278,391</u>	<u>278,391</u>	<u>277,979</u>	<u>412</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(278,391)</u>	<u>(278,391)</u>	<u>(277,606)</u>	<u>785</u>
Other Financing Sources (Uses)				
Transfer In	<u>273,283</u>	<u>273,283</u>	<u>273,283</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>273,283</u>	<u>273,283</u>	<u>273,283</u>	<u>-</u>
Net Change in Fund Balances	(5,108)	(5,108)	(4,323)	785
Fund Balances, Beginning	<u>645,048</u>	<u>645,048</u>	<u>645,048</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 639,940</u>	<u>\$ 639,940</u>	<u>\$ 640,725</u>	<u>\$ 785</u>

City of Hawthorne
Combining Statement of Net Position
Internal Service Funds
Year ended June 30, 2013

	Equipment Replacement	Insurance Reserve	Total
ASSETS			
Current assets:			
Cash and investments	\$ 2,377,828	\$ -	\$ 2,377,828
Receivables			
Accounts	2,103	145,076	147,179
Advances from other funds	310,000	-	310,000
Inventories	14,311	-	14,311
	2,704,242	145,076	2,849,318
Noncurrent assets:			
Capital assets - net of accumulated depreciation	1,058,671	-	1,058,671
	1,058,671	-	1,058,671
	3,762,913	145,076	3,907,989
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable	213,641	123,892	337,533
Accrued liabilities	8,177	7,944	16,121
Due to other funds	-	2,240,171	2,240,171
Compensated absences	11,606	-	11,606
Claims and judgments	-	560,000	1,000,000
	233,424	2,932,007	3,605,431
Noncurrent liabilities:			
Claims and judgments	-	3,879,099	3,439,099
	233,424	6,811,106	7,044,530
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital asset	1,058,671	-	1,058,671
Unrestricted	2,470,818	(6,666,030)	(4,195,212)
	\$ 3,529,489	\$ (6,666,030)	\$ (3,136,541)

City of Hawthorne
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year ended June 30, 2013

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total</u>
Operating revenues:			
Sales and service charges	\$ 1,192,347	\$ 2,681,334	\$ 3,873,681
Miscellaneous	<u>12,474</u>	<u>-</u>	<u>12,474</u>
Total operating revenues	<u>1,204,821</u>	<u>2,681,334</u>	<u>3,886,155</u>
Operating expenses:			
Administration and general	922,445	356,621	1,279,066
Materials and supplies	339,232	-	339,232
Contractual services	40,710	3,043,863	3,084,573
Depreciation	<u>444,268</u>	<u>-</u>	<u>444,268</u>
Total operating expenses	<u>1,746,655</u>	<u>3,400,484</u>	<u>5,147,139</u>
Changes in net position	(541,834)	(719,150)	(1,260,984)
Net position			
Beginning of year	<u>4,071,323</u>	<u>(5,946,880)</u>	<u>(1,875,557)</u>
End of year	<u>\$ 3,529,489</u>	<u>\$ (6,666,030)</u>	<u>\$ (3,136,541)</u>

City of Hawthorne
Combining Statement of Cash Flows
Internal Service Funds
Year ended June 30, 2013

	Equipment Replacement	Insurance Reserve	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 1,223,737	\$ 2,536,258	\$ 3,759,995
Cash paid to suppliers for goods and services	(1,098,546)	(3,036,310)	(4,134,856)
Cash paid to employees for services	(185,128)	(307,131)	(492,259)
Net cash provided (used) by operating activities	<u>(59,937)</u>	<u>(807,183)</u>	<u>(867,120)</u>
Cash flows from noncapital financing activities			
Cash received from other funds	-	807,183	807,183
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>807,183</u>	<u>807,183</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(283,757)	-	(283,757)
Net increase (decrease) in cash and cash equivalents	(343,694)	-	(343,694)
Cash and cash equivalents, beginning of year	<u>2,721,522</u>	<u>-</u>	<u>2,721,522</u>
Cash and cash equivalents, end of year	<u>\$ 2,377,828</u>	<u>\$ -</u>	<u>\$ 2,377,828</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Cash flows from operating activities			
Operating income (loss)	\$ (541,834)	\$ (719,150)	\$ (1,260,984)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	444,268	-	444,268
Decrease (increase) in accounts receivable	18,916	(145,076)	(126,160)
Increase (decrease) in accounts payable	17,582	(366,407)	(348,825)
Increase (decrease) in claims and judgments	-	425,659	425,659
Increase (decrease) in accrued liabilities and compensated absence:	1,131	(2,209)	(1,078)
Net cash provided (used) by operating activities	<u>\$ (59,937)</u>	<u>\$ (807,183)</u>	<u>\$ (867,120)</u>

City of Hawthorne
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2013

	<u>Facilities District</u>	<u>City Agency</u>	<u>Totals</u>
Assets			
Cash and investments	\$ 5,243,129	\$ 1,301,879	\$ 6,545,008
Receivables			
Taxes	7,670	-	7,670
Interest	562	-	562
Accounts	-	34,324	34,324
Restricted assets			
Cash and investments with fiscal agents	<u>7,111,572</u>	<u>-</u>	<u>7,111,572</u>
Total assets	<u>\$ 12,362,933</u>	<u>\$ 1,336,203</u>	<u>\$ 13,699,136</u>
Liabilities			
Accounts payable	\$ 12,035	\$ 40,708	\$ 52,743
Deposits payable	-	1,295,495	1,295,495
Accrued liabilities	621,000	-	621,000
Due to bondholders	<u>11,729,898</u>	<u>-</u>	<u>11,729,898</u>
Total liabilities	<u>\$ 12,362,933</u>	<u>\$ 1,336,203</u>	<u>\$ 13,699,136</u>

City of Hawthorne
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year ended June 30, 2013

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
<u>Communities Facilities District</u>				
Assets				
Cash and investments	\$ 3,140,819	\$ 6,802,052	\$ 4,699,742	\$ 5,243,129
Receivables				
Taxes	581,595	7,670	581,595	7,670
Interest	1,014	562	1,014	562
Restricted assets				
Cash and investments with fiscal agents	7,231,057	5,764,710	5,884,195	7,111,572
Total Assets	\$ 10,954,485	\$ 12,574,994	\$ 11,166,546	\$ 12,362,933
Liabilities				
Accounts payable	\$ 6,927	\$ 127,121	\$ 122,013	\$ 12,035
Accrued liabilities	621,000			621,000
Due to bondholders	10,326,558	6,201,578	4,798,238	11,729,898
Total Liabilities	\$ 10,954,485	\$ 6,328,699	\$ 4,920,251	\$ 12,362,933
 <u>City Agency</u>				
Assets				
Cash and investments	\$ 835,286	\$ 7,513,412	\$ 7,046,819	\$ 1,301,879
Accounts receivable	28,070	34,324	28,070	34,324
Total Assets	\$ 863,356	\$ 7,547,736	\$ 7,074,889	\$ 1,336,203
Liabilities				
Accounts payable	\$ 23,681	\$ 884,151	\$ 867,124	\$ 40,708
Deposits payable	839,675	7,551,964	7,096,144	1,295,495
Total Liabilities	\$ 863,356	\$ 8,436,115	\$ 7,963,268	\$ 1,336,203
 <u>Totals - All Agency Funds</u>				
Assets				
Cash and investments	\$ 3,976,105	\$ 14,315,464	\$ 11,746,561	\$ 6,545,008
Receivables				
Taxes	581,595	7,670	581,595	7,670
Interest	1,014	562	1,014	562
Accounts	28,070	34,324	28,070	34,324
Restricted assets				
Cash and investments with fiscal agents	7,231,057	5,764,710	5,884,195	7,111,572
Total Assets	\$ 11,817,841	\$ 20,122,730	\$ 18,241,435	\$ 13,699,136
Liabilities				
Accounts payable	\$ 30,608	\$ 1,011,272	\$ 989,137	\$ 52,743
Accrued liabilities	621,000	-	-	621,000
Deposits payable	839,675	7,551,964	7,096,144	1,295,495
Due to bondholders	10,326,558	6,201,578	4,798,238	11,729,898
Total Liabilities	\$ 11,817,841	\$ 14,764,814	\$ 12,883,519	\$ 13,699,136

