

**Financial Statements**  
**City of Hawthorne, California**  
***Year ended June 30, 2014***  
***with Report of Independent Auditors***

An Independently Owned Member  
**McGLADREY ALLIANCE**





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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, 2014, 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, 2014, 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 63 through 65 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 December 29, 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.

*Vasquez + Company LLP*

**Los Angeles, California  
December 29, 2014**

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, 2014. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

### **FINANCIAL HIGHLIGHTS**

- ◆ At June 30, 2014, the City's net position (excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources) was \$132.4 million. Of this amount, \$29.5 million is restricted, \$99.1 million represents net investment in capital assets and \$3.8 is unrestricted.
- ◆ During the fiscal year ended June 30, 2014, the City's net position increased by \$4.4 million.
- ◆ At the end of the fiscal year ended June 30, 2014, unassigned fund balance for the General Fund was \$17.8 million, or 32 percent of total General Fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. 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, 2014, net position of the City was \$132.5 million, which is an increase of \$4.5 million from the prior year.

The following is the condensed Statement of Net position for the fiscal years June 30, 2014 and 2013.

	<b>Net Position (dollars in thousands)</b>					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 76,832	\$ 72,025	\$ 1,304	\$ 602	\$ 78,136	\$ 72,627
Capital assets	115,619	118,040	10,883	10,495	126,502	128,535
Total assets	<u>192,451</u>	<u>190,065</u>	<u>12,187</u>	<u>11,097</u>	<u>204,638</u>	<u>201,162</u>
Deferred outflows of resources	94	104	-	-	94	104
Other liabilities	7,282	6,084	139	162	7,421	6,246
Long-term liabilities	64,828	66,911	105	105	64,933	67,016
Total liabilities	<u>72,110</u>	<u>72,995</u>	<u>244</u>	<u>267</u>	<u>72,354</u>	<u>73,262</u>
Deferred inflows of resources	-	-	-	-	-	-
Net position:						
Net investment in capital assets	88,249	88,710	10,883	10,495	99,132	99,205
Restricted	29,468	28,271	-	-	29,468	28,271
Unrestricted	2,718	193	1,060	335	3,778	528
Total net position	<u>\$ 120,435</u>	<u>\$ 117,174</u>	<u>\$ 11,943</u>	<u>\$ 10,830</u>	<u>\$ 132,378</u>	<u>\$ 128,004</u>

Approximately \$99.1 million of the City's net position consists 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 \$29.5 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 2014.

	Change in Net Position (dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 11,582	\$ 10,021	\$ 3,141	\$ 2,612	\$ 14,723	\$ 12,633
Operating grants and contributions	30,012	25,463	-	-	30,012	25,463
Capital grants and contributions	1,999	3,673	-	-	1,999	3,673
General revenues:						
Taxes:						
Property taxes	13,768	15,012	-	-	13,768	15,012
Other taxes	29,784	29,303	-	-	29,784	29,303
Other	14	25	-	-	14	25
Total revenues	<u>87,159</u>	<u>83,497</u>	<u>3,141</u>	<u>2,612</u>	<u>90,300</u>	<u>86,109</u>
<b>Expenses</b>						
General government	7,767	7,749	-	-	7,767	7,749
Public safety	43,840	41,130	-	-	43,840	41,130
Community development	14,004	20,365	-	-	14,004	20,365
Parks and recreation	2,020	1,688	-	-	2,020	1,688
Public works	14,078	13,135	-	-	14,078	13,135
Interest on long-term debt	2,189	2,298	-	-	2,189	2,298
Airport	-	-	901	982	901	982
Sewer and storm drain	-	-	1,127	882	1,127	882
Total expenses	<u>83,898</u>	<u>86,365</u>	<u>2,028</u>	<u>1,864</u>	<u>85,926</u>	<u>88,229</u>
Change in net position	3,261	(2,868)	1,113	748	4,374	(2,120)
Net position, beginning as restated	<u>117,174</u>	<u>120,042</u>	<u>10,830</u>	<u>10,082</u>	<u>128,004</u>	<u>130,124</u>
Net position, ending	<u>\$ 120,435</u>	<u>\$ 117,174</u>	<u>\$ 11,943</u>	<u>\$ 10,830</u>	<u>\$ 132,378</u>	<u>\$ 128,004</u>

The City's net position from governmental activities totaled \$120.4 million. The cost of all governmental activities this year was \$83.9 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$43.6 million because some of the cost was paid by those who directly benefited from the programs (\$11.6 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$32.0 million). Overall, the City's governmental program revenues were \$43.6 million. The City paid for the remaining "public benefit" portion of governmental activities with \$43.5 million in taxes (some of which could only be used for certain programs) and with \$14 thousand of other revenues, such as interest earnings and general entitlements.

*Revenue highlights:*

- ◆ General revenues decrease by \$0.8 million from the prior year mainly due to the decrease in property taxes.
- ◆ Operating and capital grants/contributions increased due to refuse contribution in the amount of \$2.0 million received during fiscal year 2014.

*Expense highlights:*

- ◆ Expenses decreased overall by \$2.4 million primarily due to a decrease in community development expenditures related to low income housing program.

***Business-type Activities***

The City's business-type activities increased net position by \$1.1 million. Key elements of this increase are as follows:

*Revenue Highlights:*

- ◆ Total program revenue in the business-type activities increased by nearly \$529 thousand primarily because of increase in sewer revenue.

*Expense Highlights:*

- ◆ Total expenses in the business-type activities increased \$164 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 2013-14, the City's governmental funds reported combined ending fund balance of \$29.3 million, an increase of \$1.2 million in comparison with prior fiscal year. Of this amount, \$13.5 million is restricted to indicate that it is not available for appropriation because it had previously been restricted for various purposes.

The General Fund is the chief operating fund of the City. At the end of Fiscal Year 2013-14, unassigned fund balance of the General Fund was \$17.8 million. The City's General Fund balance shows an increase of \$692 thousand in Fiscal Year 2013-14 as compared to an increase of \$3.0 million in Fiscal Year 2012-13. The increase in fund balance was smaller compared to prior year due to increase in public safety expenditures during Fiscal Year 2013-14.

### ***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, 2014, net capital assets totaled \$115.6 million for governmental activities and \$10.9 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 2013-14 was \$2.0 million compared to prior year.

### ***Debt Administration***

At the end of the current fiscal year, the City had total bonded debt outstanding of \$28.6 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, 2014**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 27,527,533	\$ 1,606,242	\$ 29,133,775
Cash and investments with fiscal agent	1,691,066	-	1,691,066
Receivables:			
Accounts	8,333,798	316,487	8,650,285
Taxes	169,598	-	169,598
Interest	2,588	-	2,588
Contracts and notes	3,787,923	-	3,787,923
Internal balances	618,406	(618,406)	-
Due from successor agency	7,292,810	-	7,292,810
Due from other governments	231,650	-	231,650
Inventories	35,496	-	35,496
Net pension asset	23,486,656	-	23,486,656
Investment in joint venture	3,655,270	-	3,655,270
Capital assets, not being depreciated	9,930,312	947,382	10,877,694
Capital assets, net of accumulated depreciation	105,688,468	9,935,710	115,624,178
<b>Total assets</b>	<b>192,451,574</b>	<b>12,187,415</b>	<b>204,638,989</b>
<b>Deferred outflows of resources</b>			
Unamortized loss on defeasance of debt	93,666	-	93,666
<b>Total deferred outflows of resources</b>	<b>93,666</b>	<b>-</b>	<b>93,666</b>
<b>Liabilities</b>			
Accounts payable	3,428,047	47,606	3,475,653
Accrued liabilities	1,117,055	28,885	1,145,940
Accrued interest	1,138,631	-	1,138,631
Unearned revenue	1,555,497	42,636	1,598,133
Deposits payable	42,897	20,208	63,105
Noncurrent liabilities:			
Due within one year	5,299,399	30,000	5,329,399
Due in more than one year	59,528,623	74,879	59,603,502
<b>Total liabilities</b>	<b>72,110,149</b>	<b>244,214</b>	<b>72,354,363</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position</b>			
Net investment in capital assets	88,248,555	10,883,092	99,131,647
Restricted for:			
Community services	24,107,637	-	24,107,637
Public safety	154,050	-	154,050
Capital projects	3,459,998	-	3,459,998
Debt service	1,746,659	-	1,746,659
Unrestricted	2,718,192	1,060,109	3,778,301
<b>Total net position</b>	<b>\$ 120,435,091</b>	<b>\$ 11,943,201</b>	<b>\$ 132,378,292</b>

*See report of independent auditors and notes to financial statements.*

**City of Hawthorne  
Statement of Activities  
Year ended June 30, 2014**

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	\$ 7,768,606	\$ 3,007,253	\$ 7,350,830	\$ -	\$ 2,589,477	\$ -	\$ 2,589,477
Public safety	43,840,245	4,560,634	1,750,233	-	(37,529,378)	-	(37,529,378)
Community development	14,003,502	925,431	18,120,579	94,585	5,137,093	-	5,137,093
Parks and recreation	2,019,805	755,753	46,000	-	(1,218,052)	-	(1,218,052)
Public works	14,077,746	2,333,286	2,744,775	1,904,890	(7,094,795)	-	(7,094,795)
Interest on long-term debt	2,189,013	-	-	-	(2,189,013)	-	(2,189,013)
<b>Total governmental activities</b>	<b>83,898,917</b>	<b>11,582,357</b>	<b>30,012,417</b>	<b>1,999,475</b>	<b>(40,304,668)</b>	<b>-</b>	<b>(40,304,668)</b>
Business-type activities:							
Airport	901,405	1,456,803	-	-	-	555,398	555,398
Sewer and storm drain	1,126,983	1,684,614	-	-	-	557,631	557,631
<b>Total business-type activities</b>	<b>2,028,388</b>	<b>3,141,417</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,113,029</b>	<b>1,113,029</b>
<b>Total primary government</b>	<b>\$ 85,927,305</b>	<b>\$ 14,723,774</b>	<b>\$ 30,012,417</b>	<b>\$ 1,999,475</b>	<b>(40,304,668)</b>	<b>1,113,029</b>	<b>(39,191,639)</b>
General revenues:							
Taxes:							
Property taxes					13,767,847	-	13,767,847
Transient occupancy taxes					2,765,262	-	2,765,262
Sales taxes					13,103,430	-	13,103,430
Franchise taxes					1,801,311	-	1,801,311
Business license taxes					4,962,181	-	4,962,181
Utility users tax					6,954,818	-	6,954,818
Other taxes					21,086	-	21,086
Miscellaneous revenue					176,333	-	176,333
Use of money and property					13,993	-	13,993
<b>Total general revenues</b>					<b>43,566,261</b>	<b>-</b>	<b>43,566,261</b>
Change in net position					3,261,593	1,113,029	4,374,622
Net position - beginning as restated					117,173,498	10,830,172	128,003,670
Net position - ending					<b>\$ 120,435,091</b>	<b>\$ 11,943,201</b>	<b>\$ 132,378,292</b>

*See report of independent auditors and notes to financial statements.*



**City of Hawthorne  
Balance Sheet  
June 30, 2014**

	General	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Hawthorne Housing Authority	Housing Asset		
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Cash and investments	\$ 10,707,046	\$ 1,114,437	\$ 933,700	\$ 12,964,934	\$ 25,720,117
Cash with fiscal agent	-	-	-	1,691,066	1,691,066
Receivables:					
Accounts	5,730,046	-	-	2,591,886	8,321,932
Taxes	147,632	-	-	21,966	169,598
Notes and loans	-	-	-	3,787,923	3,787,923
Accrued interest	1,349	-	-	1,240	2,589
Due from other governments	-	-	-	231,650	231,650
Due from successor agency	-	-	7,292,810	-	7,292,810
Due from other funds	5,022,354	-	-	-	5,022,354
Advances to successor agency, net of allowance for uncollectible accounts of \$44,089,570	-	-	-	-	-
Inventories	21,186	-	-	-	21,186
Total assets	21,629,613	1,114,437	8,226,510	21,290,665	52,261,225
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	-	-	-	-	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ 21,629,613</b>	<b>\$ 1,114,437</b>	<b>\$ 8,226,510</b>	<b>\$ 21,290,665</b>	<b>\$ 52,261,225</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 736,802	\$ 2,238	\$ -	\$ 1,933,431	\$ 2,672,471
Accrued liabilities	1,021,237	24,621	-	51,245	1,097,103
Unearned revenues	-	86,512	-	1,468,985	1,555,497
Deposits payable	25,000	-	-	17,897	42,897
Due to other funds	-	-	-	2,496,814	2,496,814
<b>Total liabilities</b>	<b>1,783,039</b>	<b>113,371</b>	<b>-</b>	<b>5,968,372</b>	<b>7,864,782</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	2,000,000	-	7,292,810	5,768,153	15,060,963
<b>Fund balances (deficits):</b>					
<b>Nonspendable</b>					
Inventories	21,186	-	-	-	21,186
<b>Restricted</b>					
Special revenue	-	1,001,066	933,700	6,321,032	8,255,798
Debt service	-	-	-	1,746,659	1,746,659
Capital projects	-	-	-	3,459,998	3,459,998
Unassigned	17,825,388	-	-	(1,973,549)	15,851,839
Total fund balances	17,846,574	1,001,066	933,700	9,554,140	29,335,480
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 21,629,613</b>	<b>\$ 1,114,437</b>	<b>\$ 8,226,510</b>	<b>\$ 21,290,665</b>	<b>\$ 52,261,225</b>

*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, 2014**

Fund balances of governmental funds	\$	29,335,480
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.		114,567,016
Investments in joint venture have not been included as financial resources of the governmental funds.		3,655,270
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.		23,486,656
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	\$ (5,294,052)	
Pension obligation bonds	(20,155,000)	
SBRPCA 2007 bonds	(3,160,000)	
Section 108 loans payable	(3,885,000)	
Loans payable - West Basin	(57,366)	
Lease payable	(14,936,160)	
Capital lease payable	(37,647)	
Other postemployment benefits obligation	(9,201,127)	
Unamortized bond discount	73,284	
Unamortized bond premium	(740,256)	
Compensated absences	<u>(3,936,486)</u>	
		(61,329,810)
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		93,666
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.		15,060,963
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(1,138,632)
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>(3,295,518)</u>
Net position of governmental activities	\$	<u><u>120,435,091</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, 2014**

	General	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Hawthorne Housing Authority	Housing Asset		
<b>Revenues</b>					
Taxes	\$ 45,689,545	\$ -	\$ 47,129	\$ 3,105,422	\$ 48,842,096
Licenses and permits	2,063,414	-	-	925,431	2,988,845
Intergovernmental	1,894,141	10,207,342	-	6,229,741	18,331,224
Charges for services	2,033,200	-	-	208,094	2,241,294
Fines and forfeitures	2,528,845	-	-	896,099	3,424,944
Use of money and property	7,027	184	341,569	25,048	373,828
Contributions	301,155	-	-	-	301,155
Miscellaneous	4,077,758	4,112	6,794	2,517,289	6,605,953
Total revenues	<u>58,595,085</u>	<u>10,211,638</u>	<u>395,492</u>	<u>13,907,124</u>	<u>83,109,339</u>
<b>Expenditures</b>					
Current:					
General government	5,829,726	-	300,692	57,545	6,187,963
Public safety	40,412,674	-	-	721,690	41,134,364
Community development	1,933,049	10,646,284	-	629,874	13,209,207
Parks and recreation	1,801,650	-	-	-	1,801,650
Public works	4,351,962	-	-	6,984,503	11,336,465
Capital outlay	1,361,130	-	-	1,057,145	2,418,275
Debt Service:					
Principal payment	14,813	-	-	3,486,744	3,501,557
Interest and fiscal charges	1,522	-	-	2,287,756	2,289,278
Total expenditures	<u>55,706,526</u>	<u>10,646,284</u>	<u>300,692</u>	<u>15,225,257</u>	<u>81,878,759</u>
Excess (deficiency) of revenues over expenditures	<u>2,888,559</u>	<u>(434,646)</u>	<u>94,800</u>	<u>(1,318,133)</u>	<u>1,230,580</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	3,995,825	3,995,825
Transfers out	(2,195,825)	-	-	(1,800,000)	(3,995,825)
Net other financing sources (uses)	<u>(2,195,825)</u>	<u>-</u>	<u>-</u>	<u>2,195,825</u>	<u>-</u>
Change in fund balance	692,734	(434,646)	94,800	877,692	1,230,580
Fund balances, beginning	<u>17,153,840</u>	<u>1,435,712</u>	<u>838,900</u>	<u>8,676,448</u>	<u>28,104,900</u>
Fund balances, ending	<u>\$ 17,846,574</u>	<u>\$ 1,001,066</u>	<u>\$ 933,700</u>	<u>\$ 9,554,140</u>	<u>\$ 29,335,480</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, 2014**

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Net changes in fund balances - total governmental funds	\$	1,230,580
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
		(2,414,691)
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.		
		3,889,348
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.		
		161,823
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.		
		(343,549)
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	\$	(1,911,325)
Increase in compensated absences		(498,496)
Principal repayments:		
Pension obligation bonds		1,920,000
SBRPCA 2007 bond		125,000
Lease revenue bonds		478,400
Section 108 loans payable		355,000
Loans payable - West Basin		6,342
Lease payable		602,002
Capital leases payable		14,813
Combined adjustment		1,091,736
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		(3,736)
Amortization of bond premium		42,327
Amortization of deferred amount on refunding		(9,367)
Combined adjustment		29,224
Accrued interest for long-term debt. This is the net change in accrued interest for the current period.		
		71,040
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the Internal Service Funds is included in the Statement of Activities.		
		<u>(453,918)</u>
Change in net position of governmental activities	\$	<u><u>3,261,593</u></u>

*See report of independent auditors and notes to financial statements.*

**City of Hawthorne**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Airport	Sewer and Storm Drain	Total	Governmental Activities - Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 365,994	\$ 1,240,248	\$ 1,606,242	\$ 1,807,416
Receivables				
Accounts	117,775	198,712	316,487	11,866
Advances to other funds	-	-	-	310,000
Inventories	-	-	-	14,311
Total current assets	<u>483,769</u>	<u>1,438,960</u>	<u>1,922,729</u>	<u>2,143,593</u>
Noncurrent assets:				
Capital assets - net of accumulated depreciation	8,534,875	2,348,217	10,883,092	1,051,764
Total noncurrent assets	<u>8,534,875</u>	<u>2,348,217</u>	<u>10,883,092</u>	<u>1,051,764</u>
Total Assets	<u>9,018,644</u>	<u>3,787,177</u>	<u>12,805,821</u>	<u>3,195,357</u>
<b>Deferred outflows of resources</b>	-	-	-	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	17,307	30,299	47,606	755,577
Accrued liabilities	12,774	16,111	28,885	19,952
Unearned revenues	42,636	-	42,636	-
Deposits payable	20,208	-	20,208	-
Due to other funds	-	-	-	2,525,540
Compensated absences	30,000	-	30,000	12,540
Advances from other funds	310,000	-	310,000	-
Claims and judgments	-	-	-	560,000
Total current liabilities	<u>432,925</u>	<u>46,410</u>	<u>479,335</u>	<u>3,873,609</u>
Noncurrent liabilities:				
Compensated absences	74,879	-	74,879	-
Claims and judgments	-	-	-	2,925,672
Total noncurrent liabilities	<u>74,879</u>	<u>-</u>	<u>74,879</u>	<u>2,925,672</u>
Total Liabilities	<u>507,804</u>	<u>46,410</u>	<u>554,214</u>	<u>6,799,281</u>
<b>Deferred inflows of resources</b>	-	-	-	-
<b>Net Position</b>				
Net investment in capital asset	8,534,875	2,348,217	10,883,092	1,051,764
Unrestricted	(24,035)	1,392,550	1,368,515	(4,655,688)
Total Net Position	<u>\$ 8,510,840</u>	<u>\$ 3,740,767</u>	<u>\$ 12,251,607</u>	<u>\$ (3,603,924)</u>
<b>Reconciliation to the Government-wide Statement of Net Position</b>				
Net Position per Statement of Net Position - Proprietary Funds			\$ 12,251,607	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds			(294,941)	
Current year's adjustments to reflect the consolidation of internal service activities related to enterprise funds			(13,465)	
Net Position per Statement of Net Position - Government-wide			<u>\$ 11,943,201</u>	

*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, 2014**

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>Operating revenues:</b>				
Sales and service charges	\$ 673,041	\$ 1,684,614	\$ 2,357,655	\$ 4,083,660
Intergovernmental	774,609	-	774,609	-
Miscellaneous	9,153	-	9,153	29,580
Total operating revenues	<u>1,456,803</u>	<u>1,684,614</u>	<u>3,141,417</u>	<u>4,113,240</u>
<b>Operating expenses:</b>				
Administration and general	474,909	562,153	1,037,062	1,447,477
Materials and supplies	10,140	25,095	35,235	352,791
Contractual services	51,370	381,769	433,139	2,348,416
Cost of sales and services	41,460	88,354	129,814	-
Depreciation	310,061	69,612	379,673	431,939
Total operating expenses	<u>887,940</u>	<u>1,126,983</u>	<u>2,014,923</u>	<u>4,580,623</u>
Operating income (loss)	<u>568,863</u>	<u>557,631</u>	<u>1,126,494</u>	<u>(467,383)</u>
Changes in net position	568,863	557,631	1,126,494	(467,383)
<b>Net position</b>				
Beginning of year	<u>7,941,977</u>	<u>3,183,136</u>	<u>11,125,113</u>	<u>(3,136,541)</u>
End of year	<u>\$ 8,510,840</u>	<u>\$ 3,740,767</u>	<u>\$ 12,251,607</u>	<u>\$ (3,603,924)</u>
<b>Reconciliation of changes in net position to the Statement of Activities:</b>				
Change in net position per Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds			\$ 1,126,494	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			(13,465)	
Change in net position per Statement of Activities			<u>\$ 1,113,029</u>	

*See report of independent auditors and notes to financial statements.*

**City of Hawthorne**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2014**

	Airport	Sewer and Storm Drain	Total	Governmental Activities - Internal Service Funds
<b>Cash flows from operating activities</b>				
Cash received from customers and users	\$ 1,586,296	\$ 1,621,233	\$ 3,207,529	\$ 4,248,552
Cash paid to suppliers for goods and services	(213,110)	(531,180)	(744,290)	(4,192,886)
Cash paid to employees for services	(376,635)	(503,458)	(880,093)	(486,416)
Net cash provided (used) by operating activities	996,551	586,595	1,583,146	(430,750)
<b>Cash flows from noncapital financing activities</b>				
Cash received from other funds	-	-	-	285,369
Net cash provided (used) by noncapital financing activities	-	-	-	285,369
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets, net	(767,494)	-	(767,494)	(425,031)
Net cash provided (used) by capital and related financing activities	(767,494)	-	(767,494)	(425,031)
<b>Net increase (decrease) in cash and cash equivalents</b>	229,057	586,595	815,652	(570,412)
Cash and cash equivalents, beginning of year	136,937	653,653	790,590	2,377,828
Cash and cash equivalents, end of year	\$ 365,994	\$ 1,240,248	\$ 1,606,242	\$ 1,807,416
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ 568,863	\$ 557,631	\$ 1,126,494	\$ (467,383)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	310,061	69,612	379,673	431,939
Decrease (increase) in accounts receivable	129,493	(63,381)	66,112	135,312
Decrease in prepaid items	1,020	32,158	33,178	-
Increase (decrease) in accounts payable	(13,031)	(10,362)	(23,393)	418,044
Increase in accrued liabilities	165	-	165	-
Decrease in claims and judgments	-	-	-	(953,427)
Increase (decrease) in compensated absences	(20)	937	917	4,765
<b>Net cash provided (used) by operating activities</b>	\$ 996,551	\$ 586,595	\$ 1,583,146	\$ (430,750)

*See report of independent auditors and notes to financial statements.*

**City of Hawthorne**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

	Agency Fund	Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
<b>ASSETS</b>		
Cash and investments	\$ 8,519,787	\$ -
Cash and investments with fiscal agents	6,871,384	401,534
Taxes receivable	26,134	-
Accounts receivable, net	77,388	3,146
Interest receivable	568	104
<b>Total assets</b>	<b>15,495,261</b>	<b>404,784</b>
 <b>LIABILITIES</b>		
Accounts payable	67,738	85,779
Accrued liabilities	621,000	-
Interest payable	-	681,162
Advances from City of Hawthorne	-	44,089,570
Deposits payable	2,268,273	26,415
Due to bondholders	12,538,250	-
Due to City of Hawthorne	-	7,292,810
Long-term liabilities:		
Due within one year	-	1,580,000
Note payable	-	27,313,438
Bonds payable	-	36,835,000
<b>Total liabilities</b>	<b>\$ 15,495,261</b>	<b>\$ 117,904,174</b>
 <b>FIDUCIARY NET POSITION</b>		
Unrestricted Net Position (deficit)		<b>\$ (117,499,390)</b>

*See notes to financial statements.*



**City of Hawthorne**  
**Statement of Changes in Fiduciary Net Position**  
**Year ended June 30, 2014**

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		Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
<b>Revenues:</b>		
Taxes	\$	2,860,879
Use of money and property		42,302
<b>Total revenues</b>		<u>2,903,181</u>
 <b>Expenses:</b>		
General government		818,066
Debt service:		
Interest and fiscal charges		2,835,188
<b>Total expenses</b>		<u>3,653,254</u>
 <b>Excess (deficiency) of revenues over expenses</b>		 (750,073)
 <b>Net position held in trust - beginning</b>		 <u>(116,749,317)</u>
<b>Net position held in trust - ending</b>	\$	<u><u>(117,499,390)</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.

**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.

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Measurement focus is commonly used to describe the types of transactions and events that are reported in a fund's operating statement. Once it has been determined whether a fund is to measure changes in total economic resources or changes in current financial resources, the next issue to be addressed is the timing of the recognition of transactions and events. The technical term that describes the criteria governing the timing of the recognition of transactions and events is basis of accounting.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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.

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

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.

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.

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

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.

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.

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

**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 inventories.

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 balances as of June 30, 2014.

Assigned fund balance consists of funds that are set aside for specific purposes by the City'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 balances as of June 30, 2014.

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

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

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, 2014. 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 accepted several long-term notes under the Community Development Block Grant and HUD Home Federal Programs. At June 30, 2014, the balance of the notes receivable was \$3,787,923 which is deemed to be fully collectible.

**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, 2014.

**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**

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Employees may accrue a maximum of half their annual accrual rate. Upon termination an employee will be paid for any unused accrued vacation pay. Sick leave is payable when an employee is unable to work because of illness. Upon retirement, employees are entitled to receive the full value of their accumulated sick leave time.

Only the short-term liability for compensated absences (the amount due to employees for future absences, such as vacation and compensatory time, which are attributable to services already rendered) is reported as a current liability in the governmental funds and only if they have matured, for example, as a result of employee resignations and retirements; the long-term liability is reported in the government-wide financial statements. The short-term liability is the amount that will be liquidated with current financial resources and is expected to be paid during the next fiscal year. All of the liability for compensated absences applicable to proprietary funds is reported in those funds.

The long-term portion of compensated absences payable has been accrued for the Governmental Activities on the Government-Wide Financial Statement. Also, compensated absences are generally liquidated by the General Fund. There is no fixed payment schedule to pay these liabilities.

**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 net position at June 30, 2014:

Fund	Amount
Nonmajor governmental funds:	
Special Revenue Funds:	
Street Lighting	\$ (95,499)
California Office of Traffic Safety	(30,417)
Proposition A	(434,658)
Community Development Block Grant	(194,227)
HOME Grant	(9,399)
Hawthorne Blvd Mobility Improvement Program	(214,394)
Sustainable Community Planning Grant	(21,997)
Debt Service Funds:	
CIEDB Police Facility Lease Obligation	(133,327)
2005 PERS Obligation Bonds	(839,631)
Internal Service Funds:	
Insurance Reserve	(6,355,080)

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**

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

Fund	Expenditures	Appropriations	Excess
Major governmental funds:			
General fund:			
City Treasurer	\$ 26,173	\$ 10,762	\$ 15,411
City Attorney	498,822	479,414	19,408
Nonmajor Governmental Funds:			
Special Revenue:			
Asset Forfeiture:			
Public safety	362,784	301,588	61,196
Capital outlay	537,879	35,660	502,219
Development Impact:			
Community Development	100,898	504	100,394
Debt Service:			
Public Financing Authority:			
Principal retirement	478,400	460,000	18,400
CIEDB Police Facility Lease Obligation:			
Principal retirement	608,344	590,000	18,344
Interest and fiscal charges	613,810	607,875	5,935

**NOTE 3      CASH AND INVESTMENTS**

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

	Government-wide Statement of Net Position	<u>Fiduciary Fund Statement of Net Position</u>		
		Successor Agency	Other Agency	Total
Unrestricted assets				
Cash and investments	\$ 29,133,775	\$ -	\$ 8,519,787	\$ 37,653,562
Restricted assets				
Cash and investments with fiscal agents	1,691,066	401,534	6,871,384	8,963,984
Total cash and investments	<u>\$ 30,824,841</u>	<u>\$ 401,534</u>	<u>\$ 15,391,171</u>	<u>\$ 46,617,546</u>

**NOTE 3      CASH AND INVESTMENTS (CONTINUED)**

Cash and investments at June 30, 2014, consisted of the following:

Cash on hand	\$	4,836
Deposits with financial institutions		28,690,010
Investments		17,922,700
Total cash and investments	\$	46,617,546

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, 2014:

Investment Type	Amount	Minimum Legal Rating	Minimum Rating					Not Rated
			AAA	AA+	AA-	A+	A-	
State investment pool	\$ 6,965,751	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,965,751
Money market	1,212,904	N/A	1,212,904	-	-	-	-	-
Held by fiscal agent:								
Money market funds	8,191,966	N/A	8,191,966	-	-	-	-	-
Investment agreements	1,552,079	N/A	-	-	-	-	-	1,552,079
Total	<u>\$ 17,922,700</u>		<u>\$ 9,404,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,517,830</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, 2014, 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, 2014, 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.

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

As of June 30, 2014, 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	\$ 6,965,751	\$ 6,965,751	\$ -	\$ -
Money market	1,212,904	1,212,904	-	-
Held by fiscal agent:				
Money market funds	8,191,966	8,191,966	-	-
Investment agreements	1,552,079	-	-	1,552,079
	<u>\$ 17,922,700</u>	<u>\$ 16,370,621</u>	<u>\$ -</u>	<u>\$ 1,552,079</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, 2014 follows:

	Beginning Balance, July 1, 2013	Additions	Deletions/ Transfers	Ending Balance, June 30, 2014
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,739,104	\$ 429,157	\$ -	\$ 8,168,261
Construction in progress	445,999	1,762,051	(445,999)	1,762,051
Total capital assets not being depreciated	<u>8,185,103</u>	<u>2,191,208</u>	<u>(445,999)</u>	<u>9,930,312</u>
Capital assets being depreciated:				
Structures and improvements	56,854,455	-	-	56,854,455
Machinery and equipment				
City	18,743,588	639,501	-	19,383,089
Equipment replacement	6,438,007	436,413	(28,456)	6,845,964
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	114,915,115	33,565	-	114,948,680
Total capital assets being depreciated	<u>213,310,719</u>	<u>1,109,479</u>	<u>(28,456)</u>	<u>214,391,742</u>
Less accumulated depreciation for:				
Structures and improvements	(21,414,531)	(1,710,590)	-	(23,125,121)
Machinery and equipment				
City	(17,486,349)	(384,195)	-	(17,870,544)
Equipment replacement	(5,379,335)	(431,939)	17,074	(5,794,200)
Parking Authority - structures	(14,539,007)	(408,989)	-	(14,947,996)
Infrastructure	(44,636,221)	(2,329,192)	-	(46,965,413)
Total accumulated depreciation	<u>(103,455,443)</u>	<u>(5,264,905)</u>	<u>17,074</u>	<u>(108,703,274)</u>
Capital assets being depreciated, net	<u>109,855,276</u>	<u>(4,155,426)</u>	<u>(11,382)</u>	<u>105,688,468</u>
Governmental activities				
Capital assets, net	<u>\$ 118,040,379</u>	<u>\$ (1,964,218)</u>	<u>\$ (457,381)</u>	<u>\$ 115,618,780</u>

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance, July 1, 2013</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance, June 30, 2014</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 37,314	\$ -	\$ -	\$ 37,314
Construction in Progress	148,063	762,005	-	910,068
Total capital assets not being depreciated	<u>185,377</u>	<u>762,005</u>	<u>-</u>	<u>947,382</u>
Capital assets being depreciated:				
Structures and improvements	1,782,600	3,200	-	1,785,800
Machinery and equipment	28,130	-	-	28,130
Infrastructure				
Airport	10,723,022	-	-	10,723,022
Storm and sewer drain	12,925,770	2,289	-	12,928,059
Total capital assets being depreciated	<u>25,459,522</u>	<u>5,489</u>	<u>-</u>	<u>25,465,011</u>
Less accumulated depreciation for:				
Structures and improvements	(1,517,427)	(40,908)	-	(1,558,335)
Machinery and equipment	(25,977)	(1,077)	-	(27,054)
Infrastructure				
Airport	(3,095,994)	(268,076)	-	(3,364,070)
Storm and sewer drain	(10,510,230)	(69,612)	-	(10,579,842)
Total accumulated depreciation	<u>(15,149,628)</u>	<u>(379,673)</u>	<u>-</u>	<u>(15,529,301)</u>
Capital assets being depreciated, net	<u>10,309,894</u>	<u>(374,184)</u>	<u>-</u>	<u>9,935,710</u>
Business-type activities				
Capital assets, net	<u>\$ 10,495,271</u>	<u>\$ 387,821</u>	<u>\$ -</u>	<u>\$ 10,883,092</u>

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

Governmental activities:

	<u>Amount</u>
General government	\$ 929,546
Public safety	1,322,639
Public works	2,352,552
Community development	70,659
Parks and recreation	157,570
Internal service fund - equipment replacement	431,939
Total depreciation expense - governmental activities	<u>\$ 5,264,905</u>

Business-type activities:

Airport	\$ 310,061
Sewer and storm drain	69,612
	<u>\$ 379,673</u>

**NOTE 5 INTERFUND ACTIVITY**

The following represents the City's interfund activity for the fiscal year ended June 30, 2014.

**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, 2014:

Receivable Fund	Amount	Payable Fund	Amount
Major Funds:		Nonmajor Funds:	
General	\$ 5,022,354	Street Lighting	\$ 2,399
		California Office of Traffic Safety	81,613
		Proposition A	301,568
		Community Development Block Grant	529,729
		Urban Security Initiative Grant	129,666
		Howthorne Blvd Mobility Improvement	210,134
		Sustainable Community Planning Grant	35,333
		2005 PERS Obligation Bonds	839,631
		Public Finance Authority	233,414
		CIEDB Police Facility Lease Obligation	133,327
		Internal Service Fund:	
		Insurance Reserve	2,525,540
Totals	\$ 5,022,354		\$ 5,022,354

**Advances to Successor Agency**

Receivable Fund	Payable Fund	Amount
General	Successor Agency Private	
	Private Purpose Trust Fund	\$ <u>44,089,570</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 \$44,089,570 (including \$24,514,715 of accrued interest) has been reserved as potentially uncollectible as of June 30, 2014.

**NOTE 5 INTERFUND ACTIVITY (CONTINUED)**

**Interfund Transfers**

Funds	Transfer in	Transfer out
Major Governmental Funds:		
General	\$ -	\$ 2,195,825
Nonmajor Governmental Funds:		
Street	1,800,000	-
Public Finance Authority	724,465	-
CIEDB Police Facility Lease Obligation	1,197,876	-
SBRPCA 2007 Series B Bond	273,484	-
Gas Tax	-	1,800,000
Totals	\$ 3,995,825	\$ 3,995,825

The transfer from the gas tax fund to the street fund in the amount of \$1,800,000 was to fund eligible projects and programs in the Street Fund.

The transfer from the general fund to non-major funds of \$2,195,825 was for debt service on the 1997 COP bonds in the amount of \$724,465, for debt service on the loan to build the police facility in the amount of \$1,197,876, and for debt service on the 2007 SBRPCA bonds in the amount of \$273,484.

**Due from Successor Agency**

At June 30, 2014, the amount due from successor agency as reported in the Housing Asset Fund is 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. The entire balance is recorded as unavailable revenue due to the long-term nature of the loans.

**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, 2014:

	Balance at July 1, 2013 (as restated)	Additions	Retirements	Balance at June 30, 2014	Amount due within one year
<b>Governmental Funds:</b>					
Compensated absences	\$ 3,437,990	\$ 1,449,405	\$ 950,909	\$ 3,936,486	\$ 984,122
Other postemployment benefits obligation	7,289,802	3,886,898	1,975,573	9,201,127	-
Capital leases payable	52,460	-	14,813	37,647	16,335
Revenue bonds - 2011 Series A	5,772,452	-	478,400	5,294,052	495,939
Lease payable - police facility	15,538,162	-	602,002	14,936,160	626,503
Loan payable - West Basin	63,708	-	6,342	57,366	6,500
Section 108 loan payable	4,240,000	-	355,000	3,885,000	355,000
SBRPCA 2007 Series B Bond	3,285,000	-	125,000	3,160,000	130,000
2005 Pension Obligation Bonds	22,075,000	-	1,920,000	20,155,000	2,125,000
Total Governmental Funds	<u>61,754,574</u>	<u>5,336,303</u>	<u>6,428,039</u>	<u>60,662,838</u>	<u>4,739,399</u>
<b>Internal Service Funds:</b>					
Claims and judgments	4,439,099	636,135	1,589,562	3,485,672	560,000
Compensated absences	11,606	934	-	12,540	-
Total Internal Service Funds	<u>4,450,705</u>	<u>637,069</u>	<u>1,589,562</u>	<u>3,498,212</u>	<u>560,000</u>
Total Governmental long-term obligations	<u>\$ 66,205,279</u>	<u>\$ 5,973,372</u>	<u>\$ 8,017,601</u>	<u>\$ 64,161,050</u>	<u>\$ 5,299,399</u>
Less:					
				(73,284)	
				<u>740,256</u>	
Total governmental funds long term debt				<u>\$ 64,828,022</u>	
<b>Business-Type Funds:</b>					
Compensated absences	<u>\$ 104,899</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 104,879</u>	<u>\$ 30,000</u>

**Compensated Absences**

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

**NOTE 6      LONG-TERM DEBT (CONTINUED)**

**Other Postemployment Benefits Obligation**

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

**Capital Lease Payable**

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, 2014:

Year ending June 30	Principal
2015	\$ 16,335
2016	16,335
2017	9,529
Total payments	42,199
Less: amount representing interest	4,552
Outstanding Principal, June 30, 2014	\$ 37,647

**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
2015	\$ 495,939	\$ 244,225
2016	518,184	232,416
2017	540,077	219,154
2018	561,603	204,393
2019	582,744	188,085
2020-2023	2,595,505	499,162
Total	\$ 5,294,052	\$ 1,587,436

**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
2015	\$ 626,503	\$ 595,152
2016	652,002	569,135
2017	678,538	542,058
2018	706,155	513,880
2019	734,895	484,554
2020-2024	4,145,231	1,939,376
2025-2029	5,066,966	1,005,006
2030-2033	2,325,870	95,607
Total	\$ 14,936,160	\$ 5,744,769

**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, 2014 was \$57,366. The total debt service requirements to maturity as of June 30, 2014, are as follows:



**NOTE 6      LONG-TERM DEBT (CONTINUED)**

Year Ending June 30,	Loan Payable West Basin	
	Principal	Interest
2015	\$ 6,500	\$ 2,980
2016	6,834	2,646
2017	7,184	2,297
2018	7,552	1,930
2019	7,940	1,544
2020-2023	21,356	2,085
Total	\$ 57,366	\$ 13,482

**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, 2014, are as follows:

Year Ending June 30,	Section 108 Loan	
	Principal	Interest
2015	\$ 355,000	\$ 211,958
2016	355,000	193,232
2017	355,000	173,991
2018	355,000	154,341
2019	355,000	134,337
2020-2024	1,775,000	362,853
2025	335,000	40,797
Total	\$ 3,885,000	\$ 1,271,509

**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
2015	\$ 130,000	\$ 143,483
2016	135,000	138,120
2017	140,000	132,551
2018	145,000	126,671
2019	150,000	120,581
2020-2024	870,000	496,995
2025-2029	1,080,000	278,385
2030-2032	510,000	36,575
Total	\$ 3,160,000	\$ 1,473,361

**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, 2014, are as follows:

Year Ending June 30,	2005 Pension Obligation Bonds	
	Principal	Interest
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	3,120,000	514,094
2020-2023	7,125,000	543,951
Total	\$ 20,155,000	\$ 4,417,846

**Claims and Judgments**

As of June 30, 2014, 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, 2014, total estimated claims payable were \$3,485,672.

**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, 2014, the bonds outstanding from these Community Facility Districts totaled \$11,135,000.

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, 2014, the bonds outstanding from this Community Facility District totaled \$3,455,000.

**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, 2014, the bonds outstanding from this Community Facility District totaled \$13,300,000.

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, 2014, the Special Tax Refunding Bonds outstanding totaled \$4,460,000.

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 17.375% 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, 2014, were as follows:

Annual Required Contribution	\$	6,721,761
Interest on net pension asset		(1,787,265)
Adjustment to Annual Required Contribution		<u>2,130,815</u>
Annual pension cost		7,065,311
Annual contributions made		<u>6,721,761</u>
Increase (decrease) in net pension asset		(343,550)
Net pension asset, beginning of year		<u>23,830,206</u>
Net pension asset, end of year	\$	<u><u>23,486,656</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, 2013
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)
6/30/2012	\$ 7,100,000	95.0%	\$ (24,178,780)
6/30/2013	7,000,000	95.0%	(23,830,206)
6/30/2014	7,100,000	95.0%	(23,486,656)

For fiscal year 2013-2014, 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, 2004. 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, 2004, 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 2013-2014, 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 2013-2014, the City paid \$1,975,573 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		346,266
Adjustments to Annual Required Contribution		<u>(325,487)</u>
Annual OPEB Cost		3,886,898
Annual Contribution Made		<u>1,975,573</u>
Increase (decrease) in Net OPEB Obligation		1,911,325
Net OPEB Obligation, beginning of year		<u>7,289,802</u>
Net OPEB Obligation, end of year	\$	<u><u>9,201,127</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 2013-2014 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
6/30/2012	\$ 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
6/30/2014	3,886,898	1,975,573	50.83%	9,201,127



**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 4.75% 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. 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 fund for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 10      INSURANCE (CONTINUED)**

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 \$3,485,672 reported in the Insurance Reserve Fund at June 30, 2014, 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 2014 and 2013, were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2012-2013	\$ 4,013,441	\$ 1,292,684	\$ (867,026)	\$ 4,439,099
2013-2014	4,439,099	636,135	(1,589,562)	3,485,672

**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 2013-2014, the City was assessed \$3,655,270, which was paid to SBRPCA for the operations and maintenance of the consolidated regional public safety services communications system that SBRPCA provides to its member cities.

**NOTE 12      JOINT VENTURE (CONTINUED)**

As of and for the year ended June 30, 2014, SBRPCA's audited financial information is as follows:

South Bay Regional Public Communication Authority

Net Position

Total assets	\$	11,330,502
Total liabilities		<u>1,780,035</u>
Total net position	\$	<u><u>9,550,467</u></u>

South Bay Regional Public Communication Authority

Change in Net Position

Operating revenues	\$	9,407,784
Operating expenses		<u>9,338,108</u>
Operating income (loss)		69,676
Nonoperating revenues (expenses)		<u>(25,054)</u>
Change in net position		44,622
Beginning net position		<u>9,505,845</u>
Ending net position	\$	<u><u>9,550,467</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.

**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. 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, 2014
Deferred outflow of resources:	
Unamortized loss on defeasance of debt	\$ <u>93,666</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, 2014
Deferred inflow of resources:	
Unavailable Revenue - Receivables that were not received within the availability period and were therefore not recognized as revenues	\$ <u>15,060,963</u>

**NOTE 14      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, 2014:

	Balance at July 1, 2013	Additions	Retirements	Balance at June 30, 2014	Due within one year
Note payable	\$ 26,467,438	\$ 1,125,000	\$ 279,000	\$ 27,313,438	\$ -
Tax Allocation Bonds	39,925,000	-	1,510,000	38,415,000	1,580,000
Total	\$ 66,392,438	\$ 1,125,000	\$ 1,789,000	\$ 65,728,438	\$ 1,580,000

**NOTE 14      SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

Balance at  
June 30, 2014

**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.

\$    2,375,000

**Subtotal Hawthorne Plaza Project Area No. 1**            2,375,000

**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.

5,855,000

**NOTE 14      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.

2,960,000

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.

27,225,000

**Subtotal Redevelopment Project Area 2      36,040,000**

**Total Tax Allocation  
Bonds Payable      \$      38,415,000**

**NOTE 14      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.

\$    27,313,438

Debt Service Requirements to Maturity

The following schedule summarizes the debt service to maturity requirements for bonds outstanding as of June 30, 2014:

Year Ending June 30,	1998 Tax Allocation Refunding Bonds		Year Ending June 30,	2001 Tax Allocation Refunding Bonds	
	Principal	Interest		Principal	Interest
2015	\$    410,000	\$    282,500	2015	\$    275,000	\$    153,828
2016	430,000	261,500	2016	295,000	134,234
2017	455,000	239,375	2017	315,000	113,266
2018	475,000	216,125	2018	335,000	90,922
2019	495,000	191,875	2019	360,000	67,031
2020-2024	2,915,000	547,875	2020-2023	795,000	55,516
2025	675,000	16,875	Total	\$    2,375,000	\$    614,797
Total	\$    5,855,000	\$    1,756,125			



**NOTE 14      SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

Year Ending June 30,	2004 Tax Allocation Refunding Bonds		Year Ending June 30,	2006 Tax Allocation Bonds	
	Principal	Interest		Principal	Interest
2015	\$ 225,000	\$ 121,271	2015	\$ 670,000	\$ 1,366,981
2016	230,000	112,653	2016	695,000	1,339,681
2017	235,000	103,643	2017	725,000	1,310,828
2018	245,000	94,190	2018	755,000	1,277,000
2019	260,000	83,960	2019	790,000	1,238,375
2020-2024	1,765,000	247,890	2020-2024	4,595,000	6,503,625
2025-2029	-	-	2025-2029	5,870,000	4,233,644
Total	\$ <u>2,960,000</u>	\$ <u>763,607</u>	2030-2034	7,565,000	2,493,094
			2035-2038	5,560,000	447,825
			Total	\$ <u>27,225,000</u>	\$ <u>20,211,053</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.

**NOTE 15    GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, that have effective dates that may impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the City.

**GASB No. 68** - GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. The requirements of this Statement are intended to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and may enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability may also be enhanced through new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

**GASB No. 69** - GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013.

**GASB No. 70** - GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

**GASB No. 71** - GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts association with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014.

**NOTE 16      PRIOR PERIOD ADJUSTMENT**

During fiscal year 2014, the City reduced its beginning governmental compensated absence liability by \$3.5 million to accurately reflect accrual parameters stated in the compensated absences policy. As a result the beginning net position of the City's government-wide statement of activities was restated by \$3.5 million.

**NOTE 17      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 December 29, 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, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Revenues</b>				
Taxes	\$ 45,317,698	\$ 45,317,698	\$ 45,689,545	\$ 371,847
Licenses and permits	1,924,720	1,924,720	2,063,414	138,694
Intergovernmental	2,175,420	2,185,420	1,894,141	(291,279)
Charges for services	1,916,818	1,916,818	2,033,200	116,382
Fines and forfeitures	2,361,294	2,361,294	2,528,845	167,551
Use of money and property	51,483	51,483	7,027	(44,456)
Contributions	540,492	540,492	301,155	(239,337)
Miscellaneous	3,732,992	3,732,992	4,077,758	344,766
Total Revenues	<u>58,020,917</u>	<u>58,030,917</u>	<u>58,595,085</u>	<u>564,168</u>
<b>Expenditures</b>				
Current:				
General government				
Mayor and city council	3,655,342	3,806,198	3,772,113	34,085
City clerk	262,572	262,572	214,108	48,464
City manager	644,413	644,413	612,913	31,500
City treasurer	10,762	10,762	26,173	(15,411)
City attorney	480,116	479,414	498,822	(19,408)
Administrative services	524,963	614,449	520,611	93,838
Licensing and code enforcement	397,684	341,163	184,986	156,177
Public safety				
Police	32,210,609	32,263,277	31,573,312	689,965
Fire services contract	8,670,000	8,839,362	8,839,362	-
Community development				
Planning	1,000,610	1,110,986	1,057,908	53,078
Building and safety	929,487	929,486	875,141	54,345
Parks and recreation	1,963,991	1,972,862	1,801,650	171,212
Public works	4,890,936	4,842,308	4,351,962	490,346
Capital outlay	1,366,178	1,365,148	1,361,130	4,018
Debt Service:				
Principal payment	9,482	14,900	14,813	87
Interest & Fiscal Charges	-	2,000	1,522	478
Total Expenditures	<u>57,017,145</u>	<u>57,499,300</u>	<u>55,706,526</u>	<u>1,792,774</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,003,772</u>	<u>531,617</u>	<u>2,888,559</u>	<u>2,356,942</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	<u>(2,195,823)</u>	<u>(2,195,825)</u>	<u>(2,195,825)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,195,823)</u>	<u>(2,195,825)</u>	<u>(2,195,825)</u>	<u>-</u>
Change in fund balance	(1,192,051)	(1,664,208)	692,734	2,356,942
Fund balance, beginning of year	<u>17,153,840</u>	<u>17,153,840</u>	<u>17,153,840</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,961,789</u>	<u>\$ 15,489,632</u>	<u>\$ 17,846,574</u>	<u>\$ 2,356,942</u>

**City of Hawthorne**  
**Budgetary Comparison by Department**  
**Hawthorne Housing Authority**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 11,447,568	\$ 11,447,568	\$ 10,207,342	\$ (1,240,226)
Investment income	-	-	184	184
Other revenue	12,000	12,000	4,112	(7,888)
Total Revenues	<u>11,459,568</u>	<u>11,459,568</u>	<u>10,211,638</u>	<u>(1,247,930)</u>
<b>Expenditures</b>				
Community Development	<u>11,497,379</u>	<u>11,497,379</u>	<u>10,646,284</u>	<u>851,095</u>
Total Expenditures	<u>11,497,379</u>	<u>11,497,379</u>	<u>10,646,284</u>	<u>851,095</u>
Excess (Deficiency) of Revenues over Expenditures	(37,811)	(37,811)	(434,646)	(396,835)
Fund Balances, Beginning	<u>1,435,712</u>	<u>1,435,712</u>	<u>1,435,712</u>	-
Fund Balances, Ending	<u>\$ 1,397,901</u>	<u>\$ 1,397,901</u>	<u>\$ 1,001,066</u>	<u>\$ (396,835)</u>

**City of Hawthorne  
Schedule of Funding Progress  
Year ended June 30, 2014**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll*
6/30/2012	\$ 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%
6/30/2013	12,307,135,447	10,915,424,561	1,391,710,886	88.7%	917,534,675	151.7%

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

*PERS - Miscellaneous Plan*

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll*
6/30/2011	\$ 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%
6/30/2013	160,750,993	122,940,427	37,810,566	76.5%	12,621,745	299.6%

\*UAAL refers to unfunded actuarial accrued liability.

OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (c)/(b-a)
3/1/2009	\$ -	\$ 44,113,659	\$ (44,113,659)	0.0%	\$ 21,379,856	206.33%
6/1/2013	-	49,687,089	(49,687,089)	0.0%	14,858,287	334.41%

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**SUPPLEMENTARY INFORMATION**

	Special Revenue					
	Street Lighting	Gas Tax	Street	Asset Forfeiture	COPS	California Office of Traffic Safety
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 1,519,126	\$ 665,815	\$ 1,257,006	\$ 67,324	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-
Receivables:						
Accounts	-	1,521	1,687	33,626	-	79,855
Taxes	7,119	-	3,450	-	11,397	-
Notes and loans	-	-	-	-	-	-
Accrued interest	-	149	47	116	9	-
Due from other governments	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 7,119</b>	<b>\$ 1,520,796</b>	<b>\$ 670,999</b>	<b>\$ 1,290,748</b>	<b>\$ 78,730</b>	<b>\$ 79,855</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 98,091	\$ 294,286	\$ 105,372	\$ 13,262	\$ -	\$ 27,658
Accrued liabilities	2,128	-	31,554	-	-	1,001
Unearned revenues	-	-	-	1,182,092	-	-
Deposits payable	-	-	-	-	-	-
Due to other funds	2,399	-	-	-	-	81,613
<b>Total Liabilities</b>	<b>102,618</b>	<b>294,286</b>	<b>136,926</b>	<b>1,195,354</b>	<b>-</b>	<b>110,272</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	-	-	-	-	-	-
<b>Fund balances (deficits)</b>						
<b>Restricted</b>						
Special revenue funds	-	1,226,510	534,073	95,394	78,730	-
Capital projects fund	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-
Unassigned	(95,499)	-	-	-	-	(30,417)
Total fund balances (deficits)	(95,499)	1,226,510	534,073	95,394	78,730	(30,417)
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,119</b>	<b>\$ 1,520,796</b>	<b>\$ 670,999</b>	<b>\$ 1,290,748</b>	<b>\$ 78,730</b>	<b>\$ 79,855</b>

**City of Hawthorne  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

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
\$ 10,876	\$ 2,213,304	\$ -	\$ 1,396,943	\$ 175,154	\$ -	\$ -
-	-	-	-	-	-	-
20,353	-	-	-	27,536	141,224	-
-	-	-	-	-	-	-
-	-	-	-	-	1,471,238	15,600
-	211	-	163	17	-	-
-	-	-	-	-	231,650	-
<u>\$ 31,229</u>	<u>\$ 2,213,515</u>	<u>\$ -</u>	<u>\$ 1,397,106</u>	<u>\$ 202,707</u>	<u>\$ 1,844,112</u>	<u>\$ 15,600</u>
\$ 13,672	\$ 404,429	\$ 133,090	\$ 671,198	\$ 310	16,289	\$ -
7,214	2,435	-	3,513	-	3,186	-
-	-	-	-	-	-	-
-	-	-	-	-	17,897	-
-	-	301,568	-	-	529,729	-
<u>20,886</u>	<u>406,864</u>	<u>434,658</u>	<u>674,711</u>	<u>310</u>	<u>567,101</u>	<u>-</u>
-	-	-	-	-	1,471,238	15,600
10,343	1,806,651	-	722,395	202,397	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(434,658)	-	-	(194,227)	-
<u>10,343</u>	<u>1,806,651</u>	<u>(434,658)</u>	<u>722,395</u>	<u>202,397</u>	<u>(194,227)</u>	<u>-</u>
<u>\$ 31,229</u>	<u>\$ 2,213,515</u>	<u>\$ -</u>	<u>\$ 1,397,106</u>	<u>\$ 202,707</u>	<u>\$ 1,844,112</u>	<u>\$ 15,600</u>

	Special Revenue					
	HOME Grant	California Used Oil Recycling	2009 Street Improvements	ABC Grant Assistance Program	HPRP Funds	Urban Security Initiative Grant Program
<b>ASSETS</b>						
Cash and investments	\$ 141,424	\$ 74,708	\$ 1,624,323	\$ -	\$ 15,153	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-
Receivables:						
Accounts	10,500	-	55,973	-	-	129,666
Taxes	-	-	-	-	-	-
Notes and loans	2,301,085	-	-	-	-	-
Accrued interest	-	7	159	-	-	-
Due from other governments	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 2,453,009</b>	<b>\$ 74,715</b>	<b>\$ 1,680,455</b>	<b>\$ -</b>	<b>\$ 15,153</b>	<b>\$ 129,666</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	214	-	-	-	-
Unearned revenues	161,323	56,362	69,208	-	-	-
Deposits payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	129,666
<b>Total Liabilities</b>	<b>161,323</b>	<b>56,576</b>	<b>69,208</b>	<b>-</b>	<b>-</b>	<b>129,666</b>
Deferred Inflows of Resources						
Unavailable revenue	2,301,085	-	-	-	-	-
<b>Fund balances (deficits)</b>						
Restricted						
Special revenue funds	-	18,139	1,611,247	-	15,153	-
Capital projects fund	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-
Unassigned	(9,399)	-	-	-	-	-
Total fund balances (deficits)	(9,399)	18,139	1,611,247	-	15,153	-
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,453,009</b>	<b>\$ 74,715</b>	<b>\$ 1,680,455</b>	<b>\$ -</b>	<b>\$ 15,153</b>	<b>\$ 129,666</b>

**City of Hawthorne  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

Special Revenue		Capital Projects Fund	Debt Service Funds				Total
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	Nonmajor Governmental Funds
\$ 55,135	\$ -	\$ 3,459,667	\$ -	\$ -	\$ -	\$ 288,976	\$ 12,964,934
-	-	-	1,344,305	-	-	346,761	1,691,066
2,054,198	35,747	-	-	-	-	-	2,591,886
-	-	-	-	-	-	-	21,966
-	-	-	-	-	-	-	3,787,923
-	-	331	-	-	-	31	1,240
-	-	-	-	-	-	-	231,650
<u>\$ 2,109,333</u>	<u>\$ 35,747</u>	<u>\$ 3,459,998</u>	<u>\$ 1,344,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 635,768</u>	<u>\$ 21,290,665</u>
\$ 133,363	\$ 22,411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,933,431
-	-	-	-	-	-	-	51,245
-	-	-	-	-	-	-	1,468,985
-	-	-	-	-	-	-	17,897
210,134	35,333	-	233,414	133,327	839,631	-	2,496,814
<u>343,497</u>	<u>57,744</u>	<u>-</u>	<u>233,414</u>	<u>133,327</u>	<u>839,631</u>	<u>-</u>	<u>5,968,372</u>
<u>1,980,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,768,153</u>
-	-	-	-	-	-	-	6,321,032
-	-	3,459,998	-	-	-	-	3,459,998
-	-	-	1,110,891	-	-	635,768	1,746,659
<u>(214,394)</u>	<u>(21,997)</u>	<u>-</u>	<u>-</u>	<u>(133,327)</u>	<u>(839,631)</u>	<u>-</u>	<u>(1,973,549)</u>
<u>(214,394)</u>	<u>(21,997)</u>	<u>3,459,998</u>	<u>1,110,891</u>	<u>(133,327)</u>	<u>(839,631)</u>	<u>635,768</u>	<u>9,554,140</u>
<u>\$ 2,109,333</u>	<u>\$ 35,747</u>	<u>\$ 3,459,998</u>	<u>\$ 1,344,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 635,768</u>	<u>\$ 21,290,665</u>

Special Revenue

	Street Lighting	Gas Tax	Street	Asset Forfeiture	COPS
<b>Revenues</b>					
Taxes	\$ 576,253	\$ 2,529,169	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	160,000	-	162,637	-	139,380
Charges for services	-	-	194,087	-	-
Fines and forfeitures	-	-	-	896,099	-
Use of money and property	-	770	151	711	69
Miscellaneous	-	-	170,000	-	-
<b>Total revenues</b>	<u>736,253</u>	<u>2,529,939</u>	<u>526,875</u>	<u>896,810</u>	<u>139,449</u>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	362,784	-
Public works	625,522	337,986	2,029,040	-	200,000
Community development	-	-	-	-	-
Capital outlay	-	223,422	-	537,879	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<u>625,522</u>	<u>561,408</u>	<u>2,029,040</u>	<u>900,663</u>	<u>200,000</u>
Excess (Deficiency) of revenues over expenditures	<u>110,731</u>	<u>1,968,531</u>	<u>(1,502,165)</u>	<u>(3,853)</u>	<u>(60,551)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	1,800,000	-	-
Transfers out	-	(1,800,000)	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(1,800,000)</u>	<u>1,800,000</u>	<u>-</u>	<u>-</u>
Change in fund balances	110,731	168,531	297,835	(3,853)	(60,551)
<b>Fund balances, beginning</b>	(206,230)	1,057,979	236,238	99,247	139,281
<b>Fund balances - ending</b>	<u>\$ (95,499)</u>	<u>\$ 1,226,510</u>	<u>\$ 534,073</u>	<u>\$ 95,394</u>	<u>\$ 78,730</u>

**City of Hawthorne**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year ended June 30, 2014**

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
164,540	376,162	897,994	1,450,647	1,205,155	105,947	1,148,787
-	-	-	14,007	-	-	-
-	-	-	-	-	-	-
-	-	1,119	-	849	110	18,267
-	-	-	-	-	-	-
<u>164,540</u>	<u>376,162</u>	<u>899,113</u>	<u>1,464,654</u>	<u>1,206,004</u>	<u>106,057</u>	<u>1,167,054</u>
-	-	-	-	-	-	-
91,515	254,891	-	-	-	-	-
-	-	576,599	1,267,788	1,420,138	-	-
-	-	-	-	-	102,841	385,960
28,955	48,825	-	-	-	-	-
-	-	-	-	-	-	355,000
-	-	-	-	-	-	230,187
<u>120,470</u>	<u>303,716</u>	<u>576,599</u>	<u>1,267,788</u>	<u>1,420,138</u>	<u>102,841</u>	<u>971,147</u>
44,070	72,446	322,514	196,866	(214,134)	3,216	195,907
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
44,070	72,446	322,514	196,866	(214,134)	3,216	195,907
(74,487)	(62,103)	1,484,137	(631,524)	936,529	199,181	(390,134)
<u>\$ (30,417)</u>	<u>\$ 10,343</u>	<u>\$ 1,806,651</u>	<u>\$ (434,658)</u>	<u>\$ 722,395</u>	<u>\$ 202,397</u>	<u>\$ (194,227)</u>

	Special Revenue					
	HOME Grant	California Used Oil Recycling	2009 Street Improvements	ABC Grant Assistance Program	HPRP Funds	Urban Security Initiative Grant Program
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	20,847	8,149	-	6,241	-	129,666
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	36	899	-	-	-
Miscellaneous	-	-	226,659	-	-	-
<b>Total revenues</b>	<b>20,847</b>	<b>8,185</b>	<b>227,558</b>	<b>6,241</b>	<b>-</b>	<b>129,666</b>
<b>Expenditures</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	12,500
Public works	-	8,148	171,525	-	-	-
Community development	20,847	-	-	-	-	-
Capital outlay	-	-	-	-	-	117,166
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>20,847</b>	<b>8,148</b>	<b>171,525</b>	<b>-</b>	<b>-</b>	<b>129,666</b>
Excess (Deficiency) of revenues over expenditures	-	37	56,033	6,241	-	-
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in fund balances	-	37	56,033	# 6,241	-	-
<b>Fund balances, beginning</b>	<b>(9,399)</b>	<b>18,102</b>	<b>1,555,214</b>	<b>(6,241)</b>	<b>15,153</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ (9,399)</b>	<b>\$ 18,139</b>	<b>\$ 1,611,247</b>	<b>\$ -</b>	<b>\$ 15,153</b>	<b>\$ -</b>



**City of Hawthorne**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year ended June 30, 2014**

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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,105,422
-	-	925,431	-	-	-	-	925,431
133,363	120,226	-	-	-	-	-	6,229,741
-	-	-	-	-	-	-	208,094
-	-	-	-	-	-	-	896,099
-	-	1,824	43	-	-	200	25,048
-	-	-	-	-	2,120,630	-	2,517,289
<u>133,363</u>	<u>120,226</u>	<u>927,255</u>	<u>43</u>	<u>-</u>	<u>2,120,630</u>	<u>200</u>	<u>13,907,124</u>
-	-	-	4,824	47,455	108	5,158	57,545
-	-	-	-	-	-	-	721,690
347,757	-	-	-	-	-	-	6,984,503
-	120,226	-	-	-	-	-	629,874
-	-	100,898	-	-	-	-	1,057,145
-	-	-	478,400	608,344	1,920,000	125,000	3,486,744
-	-	-	235,993	613,810	1,059,283	148,483	2,287,756
<u>347,757</u>	<u>120,226</u>	<u>100,898</u>	<u>719,217</u>	<u>1,269,609</u>	<u>2,979,391</u>	<u>278,641</u>	<u>15,225,257</u>
<u>(214,394)</u>	<u>-</u>	<u>826,357</u>	<u>(719,174)</u>	<u>(1,269,609)</u>	<u>(858,761)</u>	<u>(278,441)</u>	<u>(1,318,133)</u>
-	-	-	724,465	1,197,876	-	273,484	3,995,825
-	-	-	-	-	-	-	(1,800,000)
-	-	-	724,465	1,197,876	-	273,484	2,195,825
(214,394)	-	826,357	5,291	(71,733)	(858,761)	(4,957)	877,692
-	(21,997)	2,633,641	1,105,600	(61,594)	19,130	640,725	8,676,448
<u>\$ (214,394)</u>	<u>\$ (21,997)</u>	<u>\$ 3,459,998</u>	<u>\$ 1,110,891</u>	<u>\$ (133,327)</u>	<u>\$ (839,631)</u>	<u>\$ 635,768</u>	<u>\$ 9,554,140</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**Street Lighting**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 550,000	\$ 550,000	\$ 576,253	\$ 26,253
Intergovernmental	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Total Revenues	<u>710,000</u>	<u>710,000</u>	<u>736,253</u>	<u>26,253</u>
<b>Expenditures</b>				
Public Works	<u>693,868</u>	<u>693,868</u>	<u>625,522</u>	<u>68,346</u>
Total Expenditures	<u>693,868</u>	<u>693,868</u>	<u>625,522</u>	<u>68,346</u>
Excess (Deficiency) of Revenues over Expenditures	<u>16,132</u>	<u>16,132</u>	<u>110,731</u>	<u>94,599</u>
Net Change in Fund Balances	16,132	16,132	110,731	94,599
Fund Balances, Beginning	<u>(206,230)</u>	<u>(206,230)</u>	<u>(206,230)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (190,098)</u>	<u>\$ (190,098)</u>	<u>\$ (95,499)</u>	<u>\$ 94,599</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**Gas Tax**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,615,468	\$ 2,615,468	\$ 2,529,169	\$ (86,299)
Investment Income	1,000	1,000	770	(230)
Total Revenues	<u>2,616,468</u>	<u>2,616,468</u>	<u>2,529,939</u>	<u>(86,529)</u>
<b>Expenditures</b>				
Public works	342,988	342,988	337,986	5,002
Public works	240,000	240,000	223,422	16,578
Total Expenditures	<u>582,988</u>	<u>582,988</u>	<u>561,408</u>	<u>21,580</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,033,480</u>	<u>2,033,480</u>	<u>1,968,531</u>	<u>(64,949)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,800,000)	(1,800,000)	(1,800,000)	-
Total Other Financing Sources (Uses)	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>-</u>
Net Change in Fund Balances	233,480	233,480	168,531	(64,949)
Fund Balances, Beginning	<u>1,057,979</u>	<u>1,057,979</u>	<u>1,057,979</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,291,459</u>	<u>\$ 1,291,459</u>	<u>\$ 1,226,510</u>	<u>\$ (64,949)</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**Street**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 174,949	\$ 174,949	\$ 162,637	\$ (12,312)
Charges for services	185,000	185,000	194,087	9,087
Investment income	-	-	151	151
Other revenue	-	-	170,000	170,000
Total Revenues	<u>359,949</u>	<u>359,949</u>	<u>526,875</u>	<u>166,926</u>
<b>Expenditures</b>				
Public Works	<u>2,473,575</u>	<u>2,473,575</u>	<u>2,029,040</u>	<u>444,535</u>
Total Expenditures	<u>2,473,575</u>	<u>2,473,575</u>	<u>2,029,040</u>	<u>444,535</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,113,626)</u>	<u>(2,113,626)</u>	<u>(1,502,165)</u>	<u>611,461</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
Net Change in Fund Balances	(313,626)	(313,626)	297,835	611,461
Fund Balances, Beginning	<u>236,238</u>	<u>236,238</u>	<u>236,238</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (77,388)</u>	<u>\$ (77,388)</u>	<u>\$ 534,073</u>	<u>\$ 611,461</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**Asset Forfeiture**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and forfeitures	\$ 650,000	\$ 650,000	\$ 896,099	\$ 246,099
Investment income	<u>300</u>	<u>300</u>	<u>711</u>	<u>411</u>
Total Revenues	<u>650,300</u>	<u>650,300</u>	<u>896,810</u>	<u>246,510</u>
<b>Expenditures</b>				
Public safety	301,588	301,588	362,784	(61,196)
Capital outlay	<u>35,660</u>	<u>35,660</u>	<u>537,879</u>	<u>(502,219)</u>
Total Expenditures	<u>337,248</u>	<u>337,248</u>	<u>900,663</u>	<u>(563,415)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>313,052</u>	<u>313,052</u>	<u>(3,853)</u>	<u>(316,905)</u>
Net Change in Fund Balances	313,052	313,052	(3,853)	(316,905)
Fund Balances, Beginning	<u>99,247</u>	<u>99,247</u>	<u>99,247</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>412,299</u></u>	\$ <u><u>412,299</u></u>	\$ <u><u>95,394</u></u>	\$ <u><u>(316,905)</u></u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**COPS**  
**Year ended June 30, 2014**

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<b>Revenues</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 139,380	\$ 39,380
Investment income	<u>100</u>	<u>100</u>	<u>69</u>	<u>(31)</u>
Total Revenues	<u>100,100</u>	<u>100,100</u>	<u>139,449</u>	<u>39,349</u>
<b>Expenditures</b>				
Public works	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(99,900)</u>	<u>(99,900)</u>	<u>(60,551)</u>	<u>39,349</u>
Net Change in Fund Balances	(99,900)	(99,900)	(60,551)	39,349
Fund Balances, Beginning	<u>139,281</u>	<u>139,281</u>	<u>139,281</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>39,381</u></u>	\$ <u><u>39,381</u></u>	\$ <u><u>78,730</u></u>	\$ <u><u>39,349</u></u>

**City of Hawthorne  
Budgetary Comparison Schedule  
California Office of Traffic Safety  
Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 277,619	\$ 230,617	\$ 164,540	\$ (66,077)
Total Revenues	<u>277,619</u>	<u>230,617</u>	<u>164,540</u>	<u>(66,077)</u>
<b>Expenditure</b>				
Public safety	243,907	196,905	91,515	105,390
Capital outlay	<u>33,712</u>	<u>33,712</u>	<u>28,955</u>	<u>4,757</u>
Total Expenditures	<u>277,619</u>	<u>230,617</u>	<u>120,470</u>	<u>110,147</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>44,070</u>	<u>44,070</u>
Net Change in Fund Balances	-	-	44,070	44,070
Fund Balances, Beginning	<u>(74,487)</u>	<u>(74,487)</u>	<u>(74,487)</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>(74,487)</u></u>	\$ <u><u>(74,487)</u></u>	\$ <u><u>(30,417)</u></u>	\$ <u><u>44,070</u></u>

**City of Hawthorne  
Budgetary Comparison Schedule  
Local Law Enforcement Block Grant  
Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 519,591	\$ 519,591	\$ 376,162	\$ (143,429)
Total Revenues	<u>519,591</u>	<u>519,591</u>	<u>376,162</u>	<u>(143,429)</u>
<b>Expenditures</b>				
Public Safety	421,784	421,784	254,891	166,893
Capital outlay	<u>114,754</u>	<u>114,754</u>	<u>48,825</u>	<u>65,929</u>
Total Expenditures	<u>536,538</u>	<u>536,538</u>	<u>303,716</u>	<u>232,822</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(16,947)</u>	<u>(16,947)</u>	<u>72,446</u>	<u>89,393</u>
Net Change in Fund Balances	(16,947)	(16,947)	72,446	89,393
Fund Balances, Beginning	<u>(62,103)</u>	<u>(62,103)</u>	<u>(62,103)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (79,050)</u>	<u>\$ (79,050)</u>	<u>\$ 10,343</u>	<u>\$ 89,393</u>



**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**MTA Measure R**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 900,541	\$ 900,541	\$ 897,994	\$ (2,547)
Investment income	<u>1,000</u>	<u>1,000</u>	<u>1,119</u>	<u>119</u>
Total Revenues	<u>901,541</u>	<u>901,541</u>	<u>899,113</u>	<u>(2,428)</u>
<b>Expenditures</b>				
Public works	<u>801,207</u>	<u>801,207</u>	<u>576,599</u>	<u>224,608</u>
Total Expenditures	<u>801,207</u>	<u>801,207</u>	<u>576,599</u>	<u>224,608</u>
Excess (Deficiency) of Revenues over Expenditures	<u>100,334</u>	<u>100,334</u>	<u>322,514</u>	<u>222,180</u>
Net Change in Fund Balances	100,334	100,334	322,514	222,180
Fund Balances, Beginning	<u>1,484,137</u>	<u>1,484,137</u>	<u>1,484,137</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,584,471</u>	<u>\$ 1,584,471</u>	<u>\$ 1,806,651</u>	<u>\$ 222,180</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**Proposition A**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 1,447,574	\$ 1,447,574	\$ 1,450,647	\$ 3,073
Charges for services	<u>15,000</u>	<u>15,000</u>	<u>14,007</u>	<u>(993)</u>
Total Revenues	<u>1,462,574</u>	<u>1,462,574</u>	<u>1,464,654</u>	<u>2,080</u>
<b>Expenditures</b>				
Public works	<u>1,290,060</u>	<u>1,295,060</u>	<u>1,267,788</u>	<u>27,272</u>
Total Expenditures	<u>1,290,060</u>	<u>1,295,060</u>	<u>1,267,788</u>	<u>27,272</u>
Excess (Deficiency) of Revenues over Expenditures	<u>172,514</u>	<u>167,514</u>	<u>196,866</u>	<u>29,352</u>
Net Change in Fund Balances	172,514	167,514	196,866	29,352
Fund Balances, Beginning	<u>(631,524)</u>	<u>(631,524)</u>	<u>(631,524)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (459,010)</u>	<u>\$ (464,010)</u>	<u>\$ (434,658)</u>	<u>\$ 29,352</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**Proposition C**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 1,200,724	\$ 1,200,724	\$ 1,205,155	\$ 4,431
Investment income	<u>400</u>	<u>400</u>	<u>849</u>	<u>449</u>
Total Revenues	<u>1,201,124</u>	<u>1,201,124</u>	<u>1,206,004</u>	<u>4,880</u>
<b>Expenditures</b>				
Public works	<u>1,667,676</u>	<u>1,667,676</u>	<u>1,420,138</u>	<u>247,538</u>
Total Expenditures	<u>1,667,676</u>	<u>1,667,676</u>	<u>1,420,138</u>	<u>247,538</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(466,552)</u>	<u>(466,552)</u>	<u>(214,134)</u>	<u>252,418</u>
Net Change in Fund Balances	(466,552)	(466,552)	(214,134)	252,418
Fund Balances, Beginning	<u>936,529</u>	<u>936,529</u>	<u>936,529</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 469,977</u>	<u>\$ 469,977</u>	<u>\$ 722,395</u>	<u>\$ 252,418</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**Air Quality**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 104,000	\$ 104,000	\$ 105,947	\$ 1,947
Investment income	100	100	110	10
Total Revenues	<u>104,100</u>	<u>104,100</u>	<u>106,057</u>	<u>1,957</u>
<b>Expenditures</b>				
Community development	<u>106,140</u>	<u>106,140</u>	<u>102,841</u>	<u>3,299</u>
Total Expenditures	<u>106,140</u>	<u>106,140</u>	<u>102,841</u>	<u>3,299</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,040)</u>	<u>(2,040)</u>	<u>3,216</u>	<u>5,256</u>
Net Change in Fund Balances	(2,040)	(2,040)	3,216	5,256
Fund Balances, Beginning	<u>199,181</u>	<u>199,181</u>	<u>199,181</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 197,141</u>	<u>\$ 197,141</u>	<u>\$ 202,397</u>	<u>\$ 5,256</u>

**City of Hawthorne  
Budgetary Comparison Schedule  
Community Development Block Grant  
Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 1,192,298	\$ 1,192,298	\$ 1,148,787	\$ (43,511)
Investment income	<u>-</u>	<u>-</u>	<u>18,267</u>	<u>18,267</u>
Total Revenues	<u>1,192,298</u>	<u>1,192,298</u>	<u>1,167,054</u>	<u>(25,244)</u>
<b>Expenditures</b>				
Community development	607,111	607,111	385,960	221,151
Debt service:				
Principal retirement	355,000	355,000	355,000	-
Interest and fiscal changes	<u>230,187</u>	<u>230,187</u>	<u>230,187</u>	<u>-</u>
Total Expenditures	<u>1,192,298</u>	<u>1,192,298</u>	<u>971,147</u>	<u>221,151</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>195,907</u>	<u>195,907</u>
Net Change in Fund Balances	-	-	195,907	195,907
Fund Balances, Beginning	<u>(390,134)</u>	<u>(390,134)</u>	<u>(390,134)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (390,134)</u>	<u>\$ (390,134)</u>	<u>\$ (194,227)</u>	<u>\$ 195,907</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**HOME Grant**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 454,987	\$ 104,997	\$ 20,847	\$ (84,150)
Investment income	-	-	-	-
Total Revenues	<u>454,987</u>	<u>104,997</u>	<u>20,847</u>	<u>(84,150)</u>
<b>Expenditures</b>				
Community development	<u>319,582</u>	<u>104,997</u>	<u>20,847</u>	<u>84,150</u>
Total Expenditures	<u>319,582</u>	<u>104,997</u>	<u>20,847</u>	<u>84,150</u>
Excess (Deficiency) of Revenues over Expenditures	<u>135,405</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	135,405	-	-	-
Fund Balances, Beginning	<u>(9,399)</u>	<u>(9,399)</u>	<u>(9,399)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 126,006</u>	<u>\$ (9,399)</u>	<u>\$ (9,399)</u>	<u>\$ -</u>

**City of Hawthorne  
Budgetary Comparison Schedule  
California Used Oil Recycling  
Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 8,149	\$ (13,851)
Investment income	-	-	36	36
Total Revenues	<u>22,000</u>	<u>22,000</u>	<u>8,185</u>	<u>(13,815)</u>
<b>Expenditures</b>				
Public works	<u>9,403</u>	<u>9,403</u>	<u>8,148</u>	<u>1,255</u>
Total Expenditures	<u>9,403</u>	<u>9,403</u>	<u>8,148</u>	<u>1,255</u>
Excess (Deficiency) of Revenues over Expenditures	<u>12,597</u>	<u>12,597</u>	<u>37</u>	<u>(12,560)</u>
Net Change in Fund Balances	12,597	12,597	37	(12,560)
Fund Balances, Beginning	<u>18,102</u>	<u>18,102</u>	<u>18,102</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 30,699</u>	<u>\$ 30,699</u>	<u>\$ 18,139</u>	<u>\$ (12,560)</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**2009 Street Improvements**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Investment income	1,000	1,000	899	(101)
Other revenue	-	490,000	226,659	(263,341)
Total Revenues	<u>301,000</u>	<u>791,000</u>	<u>227,558</u>	<u>(563,442)</u>
<b>Expenditures</b>				
Public works	<u>754,840</u>	<u>1,244,840</u>	<u>171,525</u>	<u>1,073,315</u>
Total Expenditures	<u>754,840</u>	<u>1,244,840</u>	<u>171,525</u>	<u>1,073,315</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(453,840)</u>	<u>(453,840)</u>	<u>56,033</u>	<u>509,873</u>
Net Change in Fund Balances	(453,840)	(453,840)	56,033	509,873
Fund Balances, Beginning	<u>1,555,214</u>	<u>1,555,214</u>	<u>1,555,214</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,101,374</u>	<u>\$ 1,101,374</u>	<u>\$ 1,611,247</u>	<u>\$ 509,873</u>



**City of Hawthorne  
Budgetary Comparison Schedule  
ABC Grant Assistance Program  
Year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 6,241	\$ 6,241
Total Revenues	-	-	6,241	6,241
<b>Expenditures</b>				
Public safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	6,241	6,241
Net Change in Fund Balances		-	6,241	6,241
Fund Balances, Beginning	(6,241)	(6,241)	(6,241)	-
Fund Balances, Ending	\$ (6,241)	\$ (6,241)	\$ -	\$ 6,241

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**HPRP Funds**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Public works	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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  
Urban Security Initiative Grant Program  
Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 76,030	\$ 136,030	\$ 129,666	\$ (6,364)
Total Revenues	<u>76,030</u>	<u>136,030</u>	<u>129,666</u>	<u>(6,364)</u>
<b>Expenditures</b>				
Public safety	12,500	12,500	12,500	-
Capital outlay	<u>118,349</u>	<u>178,349</u>	<u>117,166</u>	<u>61,183</u>
Total Expenditures	<u>130,849</u>	<u>190,849</u>	<u>129,666</u>	<u>61,183</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(54,819)</u>	<u>(54,819)</u>	-	<u>54,819</u>
Net Change in Fund Balances	(54,819)	(54,819)	-	54,819
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (54,819)</u>	<u>\$ (54,819)</u>	<u>\$ -</u>	<u>\$ 54,819</u>

**City of Hawthorne  
Budgetary Comparison Schedule  
Hawthorne Boulevard Mobility Improvement Program  
Year ended June 30, 2014**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 7,237,101	\$ 7,237,101	\$ 133,363	\$ (7,103,738)
Total Revenues	<u>7,237,101</u>	<u>7,237,101</u>	<u>133,363</u>	<u>(7,103,738)</u>
<b>Expenditures</b>				
Public Works	<u>7,095,101</u>	<u>7,095,101</u>	<u>347,757</u>	<u>6,747,344</u>
Total Expenditures	<u>7,095,101</u>	<u>7,095,101</u>	<u>347,757</u>	<u>6,747,344</u>
Excess (Deficiency) of Revenues over Expenditures	<u>142,000</u>	<u>142,000</u>	<u>(214,394)</u>	<u>(356,394)</u>
Net Change in Fund Balances	142,000	142,000	(214,394)	(356,394)
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 142,000</u>	<u>\$ 142,000</u>	<u>\$ (214,394)</u>	<u>\$ (356,394)</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**Sustainable Community Planning Grant**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 277,000	\$ 277,000	\$ 120,226	\$ (156,774)
Total Revenues	<u>277,000</u>	<u>277,000</u>	<u>120,226</u>	<u>(156,774)</u>
<b>Expenditures</b>				
Capital outlay	<u>277,000</u>	<u>277,000</u>	<u>120,226</u>	<u>156,774</u>
Total Expenditures	<u>277,000</u>	<u>277,000</u>	<u>120,226</u>	<u>156,774</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	<u>(21,997)</u>	<u>(21,997)</u>	<u>(21,997)</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>(21,997)</u></u>	\$ <u><u>(21,997)</u></u>	\$ <u><u>(21,997)</u></u>	\$ <u><u>-</u></u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**Development Impact**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Licenses and permits	\$ 200,000	\$ 200,000	\$ 925,431	\$ 725,431
Investment income	<u>2,000</u>	<u>2,000</u>	<u>1,824</u>	<u>(176)</u>
Total Revenues	<u>202,000</u>	<u>202,000</u>	<u>927,255</u>	<u>725,255</u>
<b>Expenditures</b>				
Community development	<u>504</u>	<u>504</u>	<u>100,898</u>	<u>(100,394)</u>
Total Expenditures	<u>504</u>	<u>504</u>	<u>100,898</u>	<u>(100,394)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>201,496</u>	<u>201,496</u>	<u>826,357</u>	<u>624,861</u>
Net Change in Fund Balances	201,496	201,496	826,357	624,861
Fund Balances, Beginning	<u>2,633,641</u>	<u>2,633,641</u>	<u>2,633,641</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 2,835,137</u>	<u>\$ 2,835,137</u>	<u>\$ 3,459,998</u>	<u>\$ 624,861</u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**Public Financing Authority**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 43	\$ 43
Total Revenues	-	-	43	43
<b>Expenditures</b>				
General government	4,904	4,904	4,824	80
Debt service:				
Principal retirement	460,000	460,000	478,400	(18,400)
Interest and fiscal changes	264,465	264,465	235,993	28,472
Total Expenditures	729,369	729,369	719,217	10,152
Excess (Deficiency) of Revenues over Expenditures	(729,369)	(729,369)	(719,174)	10,195
<b>Other Financing Sources (Uses)</b>				
Transfers In	724,465	724,465	724,465	-
Total Other Financing Sources (Uses)	724,465	724,465	724,465	-
Net Change in Fund Balances	(4,904)	(4,904)	5,291	10,195
Fund Balances, Beginning	1,105,600	1,105,600	1,105,600	-
Fund Balances, Ending	\$ 1,100,696	\$ 1,100,696	\$ 1,110,891	\$ 10,195

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**CIEDB Police Facility Lease Obligation**  
**Year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Total Revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
General government	52,840	52,840	47,455	5,385
Debt service:				
Principal retirement	590,000	590,000	608,344	(18,344)
Interest & fiscal charges	607,875	607,875	613,810	(5,935)
Total Expenditures	1,250,715	1,250,715	1,269,609	(18,894)
Excess (Deficiency) of Revenues over Expenditures	(1,250,715)	(1,250,715)	(1,269,609)	(18,894)
<b>Other Financing Sources (Uses)</b>				
Transfer In	1,197,876	1,197,876	1,197,876	-
Total Other Financing Sources (Uses)	1,197,876	1,197,876	1,197,876	-
Net Change in Fund Balances	(52,839)	(52,839)	(71,733)	(18,894)
Fund Balances, Beginning	(61,594)	(61,594)	(61,594)	-
Fund Balances, Ending	\$ (114,433)	\$ (114,433)	\$ (133,327)	\$ (18,894)



**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**2005 PERS Obligation Bonds**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interdepartmental Charges	\$ 2,226,392	\$ 2,226,392	\$ 2,120,630	\$ (105,762)
Total Revenues	<u>2,226,392</u>	<u>2,226,392</u>	<u>2,120,630</u>	<u>(105,762)</u>
<b>Expenditures</b>				
General government	208	208	108	100
Debt service:				
Principal retirement	1,920,000	1,920,000	1,920,000	-
Interest and fiscal changes	<u>1,059,551</u>	<u>1,059,551</u>	<u>1,059,283</u>	<u>268</u>
Total Expenditures	<u>2,979,759</u>	<u>2,979,759</u>	<u>2,979,391</u>	<u>368</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(753,367)</u>	<u>(753,367)</u>	<u>(858,761)</u>	<u>(105,394)</u>
Net Change in Fund Balances	(753,367)	(753,367)	(858,761)	(105,394)
Fund Balances, Beginning	<u>19,130</u>	<u>19,130</u>	<u>19,130</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ (734,237)</u></u>	<u><u>\$ (734,237)</u></u>	<u><u>\$ (839,631)</u></u>	<u><u>\$ (105,394)</u></u>

**City of Hawthorne**  
**Budgetary Comparison Schedule**  
**SBRPCA 2007 Series B Bond**  
**Year ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment Income	\$ 300	\$ 300	\$ 200	\$ (100)
Total Revenues	<u>300</u>	<u>300</u>	<u>200</u>	<u>(100)</u>
<b>Expenditures</b>				
General government	5,158	5,158	5,158	-
Debt service:				
Principal retirement	125,000	125,000	125,000	-
Interest and fiscal changes	<u>148,483</u>	<u>148,483</u>	<u>148,483</u>	<u>-</u>
Total Expenditures	<u>278,641</u>	<u>278,641</u>	<u>278,641</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(278,341)</u>	<u>(278,341)</u>	<u>(278,441)</u>	<u>(100)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer In	<u>273,484</u>	<u>273,484</u>	<u>273,484</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>273,484</u>	<u>273,484</u>	<u>273,484</u>	<u>-</u>
Net Change in Fund Balances	(4,857)	(4,857)	(4,957)	(100)
Fund Balances, Beginning	<u>640,725</u>	<u>640,725</u>	<u>640,725</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 635,868</u>	<u>\$ 635,868</u>	<u>\$ 635,768</u>	<u>\$ (100)</u>

**City of Hawthorne**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**Year ended June 30, 2014**

	Equipment Replacement	Insurance Reserve	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,807,416	\$ -	\$ 1,807,416
Receivables			
Accounts	3,076	8,790	11,866
Advances from other funds	310,000	-	310,000
Inventories	14,311	-	14,311
	<b>2,134,803</b>	<b>8,790</b>	<b>2,143,593</b>
Noncurrent assets:			
Capital assets - net of accumulated depreciation	1,051,764	-	1,051,764
	<b>1,051,764</b>	<b>-</b>	<b>1,051,764</b>
	<b>3,186,567</b>	<b>8,790</b>	<b>3,195,357</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	-	-	-
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	411,530	344,047	755,577
Accrued liabilities	11,341	8,611	19,952
Due to other funds	-	2,525,540	2,525,540
Compensated absences	12,540	-	12,540
Claims and judgments	-	560,000	560,000
	<b>435,411</b>	<b>3,438,198</b>	<b>3,873,609</b>
Noncurrent liabilities:			
Claims and judgments	-	2,925,672	2,925,672
	<b>435,411</b>	<b>6,363,870</b>	<b>6,799,281</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	-	-	-
<b>NET POSITION</b>			
Net investment in capital asset	1,051,764	-	1,051,764
Unrestricted	1,699,392	(6,355,080)	(4,655,688)
	<b>2,751,156</b>	<b>(6,355,080)</b>	<b>(3,603,924)</b>
	<b>\$ 2,751,156</b>	<b>\$ (6,355,080)</b>	<b>\$ (3,603,924)</b>

**City of Hawthorne**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Funds**  
**Year ended June 30, 2014**

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	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total</u>
<b>Operating revenues:</b>			
Sales and service charges	\$ 1,081,236	\$ 3,002,424	\$ 4,083,660
Miscellaneous	<u>29,580</u>	<u>-</u>	<u>29,580</u>
<b>Total operating revenues</b>	<u>1,110,816</u>	<u>3,002,424</u>	<u>4,113,240</u>
<b>Operating expenses:</b>			
Administration and general	1,062,502	384,975	1,447,477
Materials and supplies	352,791	-	352,791
Contractual services	41,917	2,306,499	2,348,416
Depreciation	<u>431,939</u>	<u>-</u>	<u>431,939</u>
<b>Total operating expenses</b>	<u>1,889,149</u>	<u>2,691,474</u>	<u>4,580,623</u>
<b>Changes in net position</b>	(778,333)	310,950	(467,383)
<b>Net position</b>			
Beginning of year	<u>3,529,489</u>	<u>(6,666,030)</u>	<u>(3,136,541)</u>
End of year	<u>\$ 2,751,156</u>	<u>\$ (6,355,080)</u>	<u>\$ (3,603,924)</u>

**City of Hawthorne**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year ended June 30, 2014**

	Equipment Replacement	Insurance Reserve	Total
<b>Cash flows from operating activities</b>			
Cash received from customers and users	\$ 1,109,842	\$ 3,138,710	\$ 4,248,552
Cash paid to suppliers for goods and services	(1,073,062)	(3,119,824)	(4,192,886)
Cash paid to employees for services	(182,161)	(304,255)	(486,416)
Net cash provided (used) by operating activities	(145,381)	(285,369)	(430,750)
<b>Cash flows from noncapital financing activities</b>			
Cash received from other funds	-	285,369	285,369
Net cash provided (used) by noncapital financing activities	-	285,369	285,369
<b>Cash flows from capital and related financing activities</b>			
Acquisition of capital assets, net	(425,031)	-	(425,031)
<b>Net increase (decrease) in cash and cash equivalents</b>	(570,412)	-	(570,412)
Cash and cash equivalents, beginning of year	2,377,828	-	2,377,828
Cash and cash equivalents, end of year	\$ 1,807,416	\$ -	\$ 1,807,416
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ (778,333)	\$ 310,950	\$ (467,383)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	431,939	-	431,939
Decrease (increase) in accounts receivable	(974)	136,286	135,312
Increase in accounts payable	197,889	220,155	418,044
Decrease in claims and judgments	-	(953,427)	(953,427)
Increase in accrued liabilities and compensated absences	4,098	667	4,765
<b>Net cash provided (used) by operating activities</b>	\$ (145,381)	\$ (285,369)	\$ (430,750)

**City of Hawthorne**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2014**

	<u>Facilities District</u>	<u>City Agency</u>	<u>Totals</u>
<b>Assets</b>			
Cash and investments	\$ 6,266,194	\$ 2,253,593	\$ 8,519,787
Receivables			
Taxes	26,134	-	26,134
Interest	568	-	568
Accounts	-	77,388	77,388
Restricted assets			
Cash and investments with fiscal agents	<u>6,871,384</u>	<u>-</u>	<u>6,871,384</u>
Total assets	<u>\$ 13,164,280</u>	<u>\$ 2,330,981</u>	<u>\$ 15,495,261</u>
<b>Liabilities</b>			
Accounts payable	\$ 5,030	\$ 62,708	\$ 67,738
Deposits payable	-	2,268,273	2,268,273
Accrued liabilities	621,000	-	621,000
Due to bondholders	<u>12,538,250</u>	<u>-</u>	<u>12,538,250</u>
Total liabilities	<u>\$ 13,164,280</u>	<u>\$ 2,330,981</u>	<u>\$ 15,495,261</u>

**City of Hawthorne**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**Year ended June 30, 2014**

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
<b><u>Communities Facilities District</u></b>				
<b>Assets</b>				
Cash and investments	\$ 5,243,129	\$ 5,545,294	\$ 4,522,229	\$ 6,266,194
Receivables				
Taxes	7,670	26,134	7,670	26,134
Interest	562	561	555	568
Restricted assets				
Cash and investments with fiscal agents	7,111,572	5,715,265	5,955,453	6,871,384
Total Assets	<u>\$ 12,362,933</u>	<u>\$ 11,287,254</u>	<u>\$ 10,485,907</u>	<u>\$ 13,164,280</u>
<b>Liabilities</b>				
Accounts payable	\$ 12,035	\$ 159,380	\$ 166,385	\$ 5,030
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	11,729,898	1,389,287	580,935	12,538,250
Total Liabilities	<u>\$ 12,362,933</u>	<u>\$ 1,548,667</u>	<u>\$ 747,320</u>	<u>\$ 13,164,280</u>
 <b><u>City Agency</u></b>				
<b>Assets</b>				
Cash and investments	\$ 1,301,879	\$ 7,801,851	\$ 6,850,137	\$ 2,253,593
Accounts receivable	34,324	78,429	35,365	77,388
Total Assets	<u>\$ 1,336,203</u>	<u>\$ 7,880,280</u>	<u>\$ 6,885,502</u>	<u>\$ 2,330,981</u>
<b>Liabilities</b>				
Accounts payable	\$ 40,708	\$ 843,241	\$ 821,241	\$ 62,708
Deposits payable	1,295,495	6,908,739	5,935,961	2,268,273
Total Liabilities	<u>\$ 1,336,203</u>	<u>\$ 7,751,980</u>	<u>\$ 6,757,202</u>	<u>\$ 2,330,981</u>

