



City of Hawthorne, California
Financial Statements
For the Year Ended June 30, 2015
with Report of Independent Auditors

An Independently Owned Member
McGLADREY ALLIANCE



M&C Vasquez
& Company LLP
Certified Public Accountants and Business Consultants

	<u>PAGE</u>
FINANCIAL SECTION	
Report of Independent Auditors	1
Management’s Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds	
Statement of Net Position	17
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net position	21
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	68
Hawthorne Housing Authority	69
Housing Asset	70
California Public Retirement System	
Schedule of Changes in the Net Pension Liability and Related Ratios - Miscellaneous Plan	71
Schedule of Plan Contributions – Safety Plan	72
Schedule of Plan’s Proportionate Share of the Net Pension Liability and Other Ratios – Safety Plan	73
Schedule of Funding Progress – Other Postemployment Employee Benefit Plan	74
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	79

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION (CONTINUED)	
Budgetary Comparison Schedules – Special Revenue Funds	
Street Lighting	83
Gas Tax	84
Street	85
Asset Forfeiture	86
COPS	87
California Office of Traffic Safety	88
Local Law Enforcement Block Grant	89
MTA Measure R	90
Proposition A	91
Proposition C	92
Air Quality	93
Community Development Block Grant	94
HOME Grant	95
California Used Oil Recycling	96
2009 Street Improvements	97
Edward Byrne Memorial Justice Assistance Program	98
Hawthorne Blvd Mobility Improvement Program	99
Sustainable Community Planning Grant	100
 Budgetary Comparison Schedules – Capital Projects Funds	
Development Impact	101
 Budgetary Comparison Schedules – Debt Service Funds	
Public Financing Authority	102
CIEDB Police Facility Lease Obligation	103
2005 PERS Obligation Bonds	104
SBRPCA 2007 Series B Bond	105
 Internal Service Funds	
Combining Statement of Net position	106
Combining Statement of Revenues, Expenses and Changes in Net position	107
Combining Statement of Cash Flows	108
 Agency Funds	
Combining Statement of Assets and Liabilities	109
Combining Statement of Changes in Assets and Liabilities	110

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, 2015, 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, 2015, 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 4 through 10 and required supplementary information on pages 68 through 74 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.



Implementation of New Accounting Standards

As discussed in Note 1, City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, effective for the fiscal year ended June 30, 2015. As a result of this required implementation, the City's beginning net position was restated to retroactively report the net pension liability as of the beginning of the fiscal year. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated 30, 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 30, 2015**

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, 2015. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- ◆ At June 30, 2015, the City's net position (excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources) was \$21.5 million. Of this amount, \$12.9 million is restricted; \$109.5 million represents net investment in capital assets and \$100.9 million is deficit in unrestricted net position. The deficit in unrestricted net position of \$100.9 arises primarily because the City implemented the new required pension reporting standard (discussed further below), which resulted in recording an additional unfunded net pension liability of approximately \$71.3 million. The remainder of the deficit is due to long-term liabilities such as pension obligation bonds, obligations for other postemployment benefits, and accrued claims and judgments.
- ◆ During the fiscal year, the City's general fund uses (including expenditures and transfers out) exceeded sources (including revenues and transfers in) by approximately \$1.8 million. The year-end fund balance for the General Fund was \$16.1 million. Although General fund cash balance is \$8.7 M, as reflected on the balance sheet of this report in the asset section. Approximately \$700K of that amount was earmarked for labor costs incurred in the first quarter of FY 15-16 and layoff concessions (as disclosed during FY 15-16 Special Budget Approval Meeting of September 10, 2015) and additional equipment cost that although incurred in 14-15 but was not invoiced timely. Accounting for the above listed expenses brings the general fund cash balance to approximately \$8M as indicated in the Audit Report of General Fund Cash Reserve dated August 3, 2015.
- ◆ At the end of the fiscal year ended June 30, 2015, unassigned fund balance for the General Fund was \$16.0 million, or 27 percent of total General Fund expenditures.

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2015, the City implemented the following new Statements of the Governmental Accounting Standards Board (GASB): GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statements No. 27 and 50* and GASB Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements required the City to report unfunded pension liability in the City's financial statements starting in fiscal year 2014-2015.

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, 2015, net position of the City was \$21.6 million, which is a decrease of \$110.8 million from the prior year's balance of \$132.4 million (prior to restatement). As discussed previously, the City's implementation of GASB 68 during the fiscal year 2014-2015 caused a reduction in net position of \$71.3 million. The remaining \$39.5 of the \$110.8 decrease in net position is due to long-term liabilities such as pension obligation bonds, obligations for other postemployment benefits, and accrued claims and judgments

As a result, the city's beginning net position in 2015 was restated to reflect the pension liability adjustment at the beginning of the fiscal year. The 2014 financial statements were not restated due to lack of information.

The following is the condensed Statement of Net position for the fiscal years June 30, 2015 and 2014.

	Net Position (dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 47,134	\$ 76,832	\$ 1,451	\$ 1,304	\$ 48,585	\$ 78,136
Capital assets	124,505	115,619	10,762	10,883	135,267	126,502
Total assets	<u>171,639</u>	<u>192,451</u>	<u>12,213</u>	<u>12,187</u>	<u>183,852</u>	<u>204,638</u>
Deferred outflows of resources	4,770	94	100	-	4,870	94
Other liabilities	7,844	7,282	119	139	7,963	7,421
Long-term liabilities	137,508	64,828	1,513	105	139,021	64,933
Total liabilities	<u>145,352</u>	<u>72,110</u>	<u>1,632</u>	<u>244</u>	<u>146,984</u>	<u>72,354</u>
Deferred inflows of resources	19,786	-	366	-	20,152	-
Net position:						
Net investment in capital assets	98,764	88,249	10,762	10,883	109,526	99,132
Restricted	12,969	29,468	-	-	12,969	29,468
Unrestricted	(100,463)	2,718	(446)	1,060	(100,909)	3,778
Total net position	<u>\$ 11,270</u>	<u>\$ 120,435</u>	<u>\$ 10,316</u>	<u>\$ 11,943</u>	<u>\$ 21,586</u>	<u>\$ 132,378</u>

City of Hawthorne
Management's Discussion and Analysis
June 30, 2015

Approximately \$107.8 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 \$12.9 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, 2015 and 2014.

	Change in Net Position (dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 12,620	\$ 11,582	\$ 2,369	\$ 3,141	\$ 14,989	\$ 14,723
Operating grants and contributions	24,152	30,012	199	-	24,351	30,012
Capital grants and contributions	8,076	1,999	-	-	8,076	1,999
General revenues:						
Taxes:						
Property taxes	15,583	13,768	-	-	15,583	13,768
Other taxes	31,777	29,784	-	-	31,777	29,784
Other	9	14	-	-	9	14
Total revenues	<u>92,217</u>	<u>87,159</u>	<u>2,568</u>	<u>3,141</u>	<u>94,785</u>	<u>90,300</u>
Expenses						
General government	9,678	7,767	-	-	9,678	7,767
Public safety	48,116	43,840	-	-	48,116	43,840
Community development	15,380	14,004	-	-	15,380	14,004
Parks and recreation	2,098	2,020	-	-	2,098	2,020
Public works	14,922	14,078	-	-	14,922	14,078
Interest on long-term debt	2,085	2,189	-	-	2,085	2,189
Airport	-	-	950	901	950	901
Sewer and storm drain	-	-	1,582	1,127	1,582	1,127
Total expenses	<u>92,279</u>	<u>83,898</u>	<u>2,532</u>	<u>2,028</u>	<u>94,811</u>	<u>85,926</u>
Change in net position	(62)	3,261	36	1,113	(26)	4,374
Net position, beginning as restated for 2015	<u>11,332</u>	<u>117,174</u>	<u>10,279</u>	<u>10,830</u>	<u>21,611</u>	<u>128,004</u>
Net position, ending	<u>\$ 11,270</u>	<u>\$ 120,435</u>	<u>\$ 10,315</u>	<u>\$ 11,943</u>	<u>\$ 21,585</u>	<u>\$ 132,378</u>

The City's net position from governmental activities totaled \$11.2 million. The cost of all governmental activities this year was \$92.3 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$46.0 million because some of the cost was paid by those who directly benefited from the programs (\$12.6 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$33.4 million). Overall, the City's governmental program revenues were \$46.0 million. The City paid for the remaining "public benefit" portion of governmental activities with \$46.1 million in taxes (some of which could only be used for certain programs) and with \$9 thousand of other revenues, such as interest earnings and general entitlements.

Revenue highlights:

- ◆ General revenues increase by \$4.5 million from the prior year mainly due to the increase in property and other taxes.
- ◆ Operating and capital grants/contributions increased by \$1.8 million due increase in capital grants and contributions received during fiscal year 2015.

Expense highlights:

- ◆ Expenses increased overall by \$8.9 million primarily due to an increase in general government and public safety expenses.

Business-type Activities

The City's business-type activities increased net position by \$36 thousand. Key elements of this increase are as follows:

Revenue Highlights:

- ◆ Total program revenue in the business-type activities decreased by nearly \$573 thousand primarily because of decrease in sewer revenue.

Expense Highlights:

- ◆ Total expenses in the business-type activities increased \$504 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 2014-15, the City's governmental funds reported combined ending fund balance of \$26.5 million, a decrease of \$2.8 million in comparison with prior fiscal year. Of this amount, \$13.9 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 2014-15, unassigned fund balance of the General Fund was \$16.0 million. The City's General Fund balance shows a decrease of \$1.8 million in Fiscal Year 2014-15 as compared to an increase of \$692 thousand in 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, 2015, net capital assets totaled \$124.5 million for governmental activities and \$10.8 million for business-type activities, net of accumulated depreciation on capital assets, which is recognized in the Government-wide Financial Statements.

This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure (streets, sidewalks, traffic signals, etc.), and machinery and equipment. The total increase in the City's investment in capital assets for Fiscal Year 2014-15 was \$8.8 million compared to prior year.

Debt Administration

At the end of the current fiscal year, the City had total bonded debt outstanding of \$25.8 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. Details of the City's long-term debt is in Note 6 to the City's financial statements.

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, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 24,635,290	\$ 1,850,415	\$ 26,485,705
Cash and investments with fiscal agent	1,703,073	-	1,703,073
Receivables:			
Accounts	5,336,337	236,791	5,573,128
Taxes	279,639	-	279,639
Interest	4,045	-	4,045
Contracts and notes	4,295,574	-	4,295,574
Internal balances	635,940	(635,940)	-
Due from successor agency	6,122,266	-	6,122,266
Due from other governments	231,650	-	231,650
Inventories	71,890	-	71,890
Investment in joint venture	3,818,332	-	3,818,332
Capital assets, not being depreciated	9,045,120	1,011,264	10,056,384
Capital assets, net of accumulated depreciation	<u>115,460,048</u>	<u>9,750,333</u>	<u>125,210,381</u>
Total assets	<u>171,639,204</u>	<u>12,212,863</u>	<u>183,852,067</u>
Deferred outflows of resources			
Unamortized loss on defeasance of debt	84,299	-	84,299
Pension contributions and other deferred pension items	<u>4,685,471</u>	<u>100,245</u>	<u>4,785,716</u>
Total deferred outflows of resources	<u>4,769,770</u>	<u>100,245</u>	<u>4,870,015</u>
Liabilities			
Accounts payable	4,003,123	22,526	4,025,649
Accrued liabilities	1,229,945	33,900	1,263,845
Accrued interest	1,040,325	-	1,040,325
Unearned revenue	1,501,667	42,636	1,544,303
Deposits payable	69,312	20,208	89,520
Noncurrent liabilities:			
Due within one year	5,577,477	30,000	5,607,477
Due in more than one year	<u>131,930,328</u>	<u>1,482,728</u>	<u>133,413,056</u>
Total liabilities	<u>145,352,177</u>	<u>1,631,998</u>	<u>146,984,175</u>
Deferred inflows of resources			
Difference between actual and projected income on pension plan investments	<u>19,786,401</u>	<u>365,540</u>	<u>20,151,941</u>
Net position			
Net investment in capital assets	98,764,480	10,761,597	109,526,077
Restricted for:			
Community services	6,983,229	-	6,983,229
Public safety	205,942	-	205,942
Capital projects	4,028,388	-	4,028,388
Debt service	1,751,788	-	1,751,788
Unrestricted	<u>(100,463,431)</u>	<u>(446,027)</u>	<u>(100,909,458)</u>
Total net position	<u>\$ 11,270,396</u>	<u>\$ 10,315,570</u>	<u>\$ 21,585,966</u>

See report of independent auditors and notes to financial statements.

**City of Hawthorne
Statement of Activities
Year ended June 30, 2015**

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	\$ 9,677,945	\$ 3,322,761	\$ 6,643,829	\$ -	\$ 288,645	\$ -	\$ 288,645
Public safety	48,115,574	4,420,058	1,175,062	-	(42,520,454)	-	(42,520,454)
Community development	15,380,435	1,448,842	13,775,487	6,170,677	6,014,571	-	6,014,571
Parks and recreation	2,097,720	739,977	46,000	-	(1,311,743)	-	(1,311,743)
Public works	14,921,503	2,688,288	2,511,127	1,904,890	(7,817,198)	-	(7,817,198)
Interest on long-term debt	2,084,801	-	-	-	(2,084,801)	-	(2,084,801)
Total governmental activities	<u>92,277,978</u>	<u>12,619,926</u>	<u>24,151,505</u>	<u>8,075,567</u>	<u>(47,430,980)</u>	<u>-</u>	<u>(47,430,980)</u>
Business-type activities:							
Airport	949,809	720,392	198,737	-	-	(30,680)	(30,680)
Sewer and storm drain	1,581,953	1,648,704	-	-	-	66,751	66,751
Total business-type activities	<u>2,531,762</u>	<u>2,369,096</u>	<u>198,737</u>	<u>-</u>	<u>-</u>	<u>36,071</u>	<u>36,071</u>
Total primary government	<u>\$ 94,809,740</u>	<u>\$ 14,989,022</u>	<u>\$ 24,350,242</u>	<u>\$ 8,075,567</u>	<u>(47,430,980)</u>	<u>36,071</u>	<u>(47,394,909)</u>
General revenues:							
Taxes:							
Property taxes					15,582,864	-	15,582,864
Transient occupancy taxes					3,357,279	-	3,357,279
Sales taxes					14,521,823	-	14,521,823
Franchise taxes					1,833,145	-	1,833,145
Business license taxes					4,947,687	-	4,947,687
Utility users tax					6,842,540	-	6,842,540
Other taxes					115,589	-	115,589
Miscellaneous revenue					159,031	-	159,031
Use of money and property					9,017	-	9,017
Total general revenues					<u>47,368,975</u>	<u>-</u>	<u>47,368,975</u>
Change in net position					(62,005)	36,071	(25,934)
Net position - beginning as restated					11,332,401	10,279,499	21,611,900
Net position - ending					<u>\$ 11,270,396</u>	<u>\$ 10,315,570</u>	<u>\$ 21,585,966</u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Balance Sheet
June 30, 2015

	General	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Hawthorne Housing Authority	Housing Asset		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Cash and investments	\$ 8,717,629	\$ 550,978	\$ 1,616,913	\$ 13,436,190	\$ 24,321,710
Cash with fiscal agent	-	-	-	1,703,073	1,703,073
Receivables:					
Accounts	3,628,631	2,008	5,421	1,372,089	5,008,149
Taxes	265,035	-	-	14,604	279,639
Notes and loans	-	-	-	4,295,574	4,295,574
Accrued interest	2,031	-	238	1,776	4,045
Due from other governments	-	-	-	231,650	231,650
Due from successor agency	-	-	6,122,266	-	6,122,266
Due from other funds	2,335,087	-	-	-	2,335,087
Advances to other funds	4,166,003	-	-	-	4,166,003
Advances to successor agency, net of allowance for uncollectible accounts of \$44,144,379	-	-	-	-	-
Inventories	57,579	-	-	-	57,579
Total assets	19,171,995	552,986	7,744,838	21,054,956	48,524,775
Deferred Outflows of Resources					
	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 19,171,995	\$ 552,986	\$ 7,744,838	\$ 21,054,956	\$ 48,524,775
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,957,441	\$ 2,498	\$ 9,493	\$ 1,658,269	\$ 3,627,701
Accrued liabilities	1,119,054	26,912	8,010	49,080	1,203,056
Unearned revenues	-	-	-	1,501,667	1,501,667
Deposits payable	25,000	-	26,415	17,897	69,312
Due to other funds	-	-	-	2,335,087	2,335,087
Advances from other funds	-	-	-	1,414,070	1,414,070
Total liabilities	3,101,495	29,410	43,918	6,976,070	10,150,893
Deferred Inflows of Resources					
Unavailable revenue	-	-	6,122,266	4,501,057	10,623,323
Fund balances (deficits):					
Nonspendable					
Inventories	57,579	-	-	-	57,579
Advances to other funds	4,166,003	-	-	-	4,166,003
Restricted					
Special revenue	-	523,576	1,578,654	7,189,171	9,291,401
Debt service	-	-	-	1,751,788	1,751,788
Capital projects	-	-	-	4,028,388	4,028,388
Unassigned	11,846,918	-	-	(3,391,518)	8,455,400
Total fund balances	16,070,500	523,576	1,578,654	9,577,829	27,750,559
Total liabilities, deferred inflows of resources and fund balances	\$ 19,171,995	\$ 552,986	\$ 7,744,838	\$ 21,054,956	\$ 48,524,775

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, 2015

Fund balances of governmental funds	\$	27,750,559
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. This amount excludes capital assets reported in the internal service funds		123,017,737
Investments in joint venture have not been included as financial resources of the governmental funds.		3,818,332
Pension contributions made subsequent to measurement date were recognized as expense in the governmental funds but deferred in the government-wide financial statements.		5,307,719
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	\$ (4,798,114)	
Pension obligation bonds	(18,030,000)	
SBRPCA 2007 bonds	(3,030,000)	
Section 108 loans payable	(3,530,000)	
Loans payable - West Basin	(50,698)	
Lease payable	(14,309,657)	
Capital lease payable	(22,219)	
Other postemployment benefits obligation	(15,709,698)	
Net pension liability	(68,569,173)	
Unamortized bond discount	69,549	
Unamortized bond premium	(697,929)	
Compensated absences	<u>(3,936,486)</u>	
		(132,614,425)
Governmental funds report the effect of 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		84,299
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.		10,623,323
Deferred inflows of resources related to pension are not reported in the governmental funds but are reported and amortized in the government-wide financial statements		
Difference between actual and projected earnings on pension plan investments		(19,418,947)
Other pension deferrals		(723,018)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(1,040,325)
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>(5,534,858)</u>
Net position of governmental activities	\$	<u>11,270,396</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, 2015

	Special Revenue			Other Governmental Funds	Total Governmental Funds
	General	Hawthorne Housing Authority	Housing Asset		
Revenues					
Taxes	\$ 48,301,318	\$ -	\$ 1,219,846	\$ 3,092,475	\$ 52,613,639
Licenses and permits	2,441,585	-	-	1,448,842	3,890,427
Intergovernmental	1,594,872	9,392,911	-	15,695,206	26,682,989
Charges for services	1,958,502	-	-	212,124	2,170,626
Fines and forfeitures	2,462,579	-	-	1,064,649	3,527,228
Use of money and property	1,925	55	343,960	100,498	446,438
Contributions	365,361	-	-	-	365,361
Miscellaneous	3,098,670	5,504	-	3,689,669	6,793,843
Total revenues	<u>60,224,812</u>	<u>9,398,470</u>	<u>1,563,806</u>	<u>25,303,463</u>	<u>96,490,551</u>
Expenditures					
Current:					
General government	7,243,948	-	-	55,491	7,299,439
Public safety	42,241,855	-	-	599,470	42,841,325
Community development	2,318,110	9,875,960	223,312	1,824,189	14,241,571
Parks and recreation	1,703,966	-	-	-	1,703,966
Public works	5,159,215	-	-	6,595,793	11,755,008
Capital outlay	1,103,395	-	-	12,468,358	13,571,753
Debt Service:					
Principal payment	9,482	-	-	3,732,442	3,741,924
Interest and fiscal charges	-	-	-	2,224,946	2,224,946
Total expenditures	<u>59,779,971</u>	<u>9,875,960</u>	<u>223,312</u>	<u>27,500,689</u>	<u>97,379,932</u>
Excess (deficiency) of revenues over expenditures	<u>444,841</u>	<u>(477,490)</u>	<u>1,340,494</u>	<u>(2,197,226)</u>	<u>(889,381)</u>
Other financing sources (uses)					
Transfers in	-	-	13,795	4,020,915	4,034,710
Transfers out	(2,220,915)	-	(709,335)	(1,800,000)	(4,730,250)
Net other financing sources (uses)	<u>(2,220,915)</u>	<u>-</u>	<u>(695,540)</u>	<u>2,220,915</u>	<u>(695,540)</u>
Change in fund balance	(1,776,074)	(477,490)	644,954	23,689	(1,584,921)
Fund balances, beginning	<u>17,846,574</u>	<u>1,001,066</u>	<u>933,700</u>	<u>9,554,140</u>	<u>29,335,480</u>
Fund balances, ending	<u>\$ 16,070,500</u>	<u>\$ 523,576</u>	<u>\$ 1,578,654</u>	<u>\$ 9,577,829</u>	<u>\$ 27,750,559</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, 2015**

Net changes in fund balances - total governmental funds		\$ (1,584,921)
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		
	8,450,721	
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.		
	(4,437,640)	
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.		
	163,062	
Pension contributions made subsequent to measurement date were recognized as expense in the governmental funds but deferred in the government-wide financial statements.		
	5,307,719	
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 debt issued or incurred:		
Other postemployment benefits obligation	\$ (6,508,571)	
Principal repayments:		
Pension obligation bonds	2,125,000	
SBRPCA 2007 bond	130,000	
Lease revenue bonds	495,939	
Section 108 loans payable	355,000	
Loans payable - West Basin	6,668	
Lease payable	626,503	
Capital leases payable	<u>15,427</u>	
Combined adjustment		(2,754,034)
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.		
Pension expense	(4,767,516)	
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	<u>(9,367)</u>	
Combined adjustment		(4,738,292)
Accrued interest for long-term debt. This is the net change in accrued interest for the current period.		
		98,307
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the Internal Service Funds included in the Statement of Activities.		
		<u>(566,927)</u>
Change in net position of governmental activities		<u>\$ (62,005)</u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Net Position
Proprietary Funds
June 30, 2015

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 421,060	\$ 1,393,309	\$ 36,046	\$ 1,850,415	\$ 313,580
Receivables					
Accounts	114,628	122,163	-	236,791	328,188
Advances to other funds	-	-	-	-	310,000
Inventories	-	-	-	-	14,311
Total current assets	<u>535,688</u>	<u>1,515,472</u>	<u>36,046</u>	<u>2,087,206</u>	<u>966,079</u>
Noncurrent assets:					
Capital assets - net of accumulated depreciation	8,481,172	2,280,425	-	10,761,597	1,487,431
Total noncurrent assets	<u>8,481,172</u>	<u>2,280,425</u>	<u>-</u>	<u>10,761,597</u>	<u>1,487,431</u>
Total Assets	<u>9,016,860</u>	<u>3,795,897</u>	<u>36,046</u>	<u>12,848,803</u>	<u>2,453,510</u>
Deferred outflows of resources					
Pension contribution	42,250	57,995	-	100,245	100,770
Liabilities					
Current liabilities:					
Accounts payable	8,367	14,159	-	22,526	375,422
Accrued liabilities	16,825	17,075	-	33,900	26,889
Unearned revenues	42,636	-	-	42,636	-
Deposits payable	20,208	-	-	20,208	-
Due to other funds	-	-	-	-	2,751,933
Compensated absences	30,000	-	-	30,000	13,811
Advances from other funds	310,000	-	-	310,000	-
Claims and judgments	-	-	-	-	560,000
Total current liabilities	<u>428,036</u>	<u>31,234</u>	<u>-</u>	<u>459,270</u>	<u>3,728,055</u>
Noncurrent liabilities:					
Compensated absences	96,091	-	-	96,091	-
Claims and judgments	-	-	-	-	2,925,672
Net pension liability	584,421	802,216	-	1,386,637	1,393,897
Total noncurrent liabilities	<u>680,512</u>	<u>802,216</u>	<u>-</u>	<u>1,482,728</u>	<u>4,319,569</u>
Total Liabilities	<u>1,108,548</u>	<u>833,450</u>	<u>-</u>	<u>1,941,998</u>	<u>8,047,624</u>
Deferred inflows of resources					
Difference between actual and projected earnings on pension plan investments	154,062	211,478	-	365,540	367,454
Net Position					
Net investment in capital asset	8,481,172	2,280,425	-	10,761,597	1,487,431
Unrestricted	(684,672)	528,539	36,046	(120,087)	(7,348,229)
Total Net Position	<u>\$ 7,796,500</u>	<u>\$ 2,808,964</u>	<u>\$ 36,046</u>	<u>\$ 10,641,510</u>	<u>\$ (5,860,798)</u>
Reconciliation to the Government-wide Statement of Net Position					
Net Position per Statement of Net Position - Proprietary Funds				\$ 10,641,510	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds				(308,406)	
Current year's adjustments to reflect the consolidation of internal service activities related to enterprise funds				(17,534)	
Net Position per Statement of Net Position - Government-wide				<u>\$ 10,315,570</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, 2015

	<u>Airport</u>	<u>Sewer and Storm Drain</u>	<u>Storm Water</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
Operating revenues:					
Sales and service charges	\$ 709,766	\$ 1,612,658	\$ 36,046	\$ 2,358,470	\$ 4,351,063
Intergovernmental	198,737	-	-	198,737	-
Miscellaneous	<u>10,626</u>	<u>-</u>	<u>-</u>	<u>10,626</u>	<u>123,413</u>
Total operating revenues	<u>919,129</u>	<u>1,612,658</u>	<u>36,046</u>	<u>2,567,833</u>	<u>4,474,476</u>
Operating expenses:					
Administration and general	526,595	1,310,285	-	1,836,880	1,546,812
Materials and supplies	11,568	26,278	-	37,846	342,564
Contractual services	26,979	111,700	-	138,679	2,693,473
Cost of sales and services	41,460	65,898	-	107,358	-
Depreciation	<u>325,673</u>	<u>67,792</u>	<u>-</u>	<u>393,465</u>	<u>476,088</u>
Total operating expenses	<u>932,275</u>	<u>1,581,953</u>	<u>-</u>	<u>2,514,228</u>	<u>5,058,937</u>
Operating income (loss)	<u>(13,146)</u>	<u>30,705</u>	<u>36,046</u>	<u>53,605</u>	<u>(584,461)</u>
Changes in net position	(13,146)	30,705	36,046	53,605	(584,461)
Net position					
Beginning of year, as restated	<u>7,809,646</u>	<u>2,778,259</u>	<u>-</u>	<u>10,587,905</u>	<u>(5,276,337)</u>
End of year	<u>\$ 7,796,500</u>	<u>\$ 2,808,964</u>	<u>\$ 36,046</u>	<u>\$ 10,641,510</u>	<u>\$ (5,860,798)</u>
Reconciliation of changes in net position to the Statement of Activities:					
Change in net position per Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds				\$ 53,605	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds				(17,534)	
Change in net position per Statement of Activities				<u>\$ 36,071</u>	

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2015

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
Cash flows from operating activities					
Cash received from customers and users	\$ 922,276	\$ 1,689,207	\$ 36,046	\$ 2,647,529	\$ 4,158,153
Cash paid to suppliers for goods and services	(198,316)	(1,010,290)	-	(1,208,606)	(4,121,484)
Cash paid to employees for services	(391,963)	(519,047)	-	(911,010)	(833,311)
Net cash provided (used) by operating activities	<u>331,997</u>	<u>159,870</u>	<u>36,046</u>	<u>527,913</u>	<u>(796,642)</u>
Cash flows from noncapital financing activities					
Cash received from other funds	-	-	-	-	219,029
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,029</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets, net	(276,931)	(6,809)	-	(283,740)	(916,223)
Net cash provided (used) by capital and related financing activities	<u>(276,931)</u>	<u>(6,809)</u>	<u>-</u>	<u>(283,740)</u>	<u>(916,223)</u>
Net increase (decrease) in cash and cash equivalents	55,066	153,061	36,046	244,173	(1,493,836)
Cash and cash equivalents, beginning of year	<u>365,994</u>	<u>1,240,248</u>	<u>-</u>	<u>1,606,242</u>	<u>1,807,416</u>
Cash and cash equivalents, end of year	<u>\$ 421,060</u>	<u>\$ 1,393,309</u>	<u>\$ 36,046</u>	<u>\$ 1,850,415</u>	<u>\$ 313,580</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Cash flows from operating activities					
Operating income (loss)	\$ (13,146)	\$ 30,705	\$ 36,046	\$ 53,605	\$ (584,461)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	325,673	67,792	-	393,465	476,088
Changes in operating assets and liabilities:					
Decrease (increase) in accounts receivable	3,147	76,549	-	79,696	(316,322)
Decrease in accounts payable	(8,940)	(16,140)	-	(25,080)	(380,155)
Increase in accrued liabilities	4,051	-	-	4,051	-
Increase in compensated absences	21,212	964	-	22,176	8,208
Total adjustments	<u>345,143</u>	<u>129,165</u>	<u>-</u>	<u>474,308</u>	<u>(212,181)</u>
Net cash provided (used) by operating activities	<u>\$ 331,997</u>	<u>\$ 159,870</u>	<u>\$ 36,046</u>	<u>\$ 527,913</u>	<u>\$ (796,642)</u>

See report of independent auditors and notes to financial statements.

City of Hawthorne
Statement of Fiduciary Net Position
June 30, 2015

	Agency Fund	Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
ASSETS		
Cash and investments	\$ 5,648,245	\$ -
Cash and investments with fiscal agents	6,109,159	1,049,849
Taxes receivable	31,015	-
Accounts receivable, net	41,985	-
Interest receivable	821	779
Total assets	11,831,225	1,050,628
LIABILITIES		
Accounts payable	145,994	86,973
Accrued liabilities	621,000	1,456
Interest payable	-	653,168
Advances from City of Hawthorne	-	44,144,379
Deposits payable	1,921,568	-
Due to bondholders	9,142,663	-
Due to City of Hawthorne	-	6,122,266
Long-term liabilities:		
Due within one year	-	1,650,000
Bonds payable	-	35,185,000
Notes payable	-	28,031,438
Total Liabilities	\$ 11,831,225	\$ 115,874,680
FIDUCIARY NET POSITION		
Unrestricted net position (deficit)		\$ (114,824,053)

See notes to financial statements.

City of Hawthorne
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2015

		Agency Private Purpose Trust Fund
		<u> </u>
Revenues:		
Taxes	\$	5,573,327
Use of money and property		47,125
Contribution of assets from the Housing Asset Fund		<u>695,540</u>
Total revenues		<u>6,315,992</u>
 Expenses:		
General government		1,076,308
Debt service:		
Interest and fiscal charges		<u>2,669,395</u>
Total Expenses		<u>3,745,703</u>
		2,570,289
Net position (deficit) held in trust, beginning, as restated		<u>(117,394,342)</u>
Net position (deficit) held in trust, ending	\$	<u><u>(114,824,053)</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.

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:

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

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 and long-term advances, the collectability of which is not assured.

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, 2015.

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, 2015.

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

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

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

The City considers the restricted fund balances to have been spent when an 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.

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

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.

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, 2015. 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.

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

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, 2015, the balance of the notes receivable was \$4,295,574 which is deemed to be fully collectible.

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 \$5,000 (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, 2015.

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.

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

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.

Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2015, the City adopted the following new GASB Statements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statements No. 27 and 50*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures of pensions that are provided by local governmental employers through pension plans that are administered through trusts that meet certain conditions. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

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.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Deficit in Fund Equity

The following funds have deficits in fund balance or net position at June 30, 2015:

Fund	Amount
Nonmajor governmental funds:	
Special Revenue Funds:	
Street Lighting	\$ (3,074)
California Office of Traffic Safety	(30,417)
Proposition A	(147,124)
Community Development Block Grant	(314,172)
Hawthorne Blvd Mobility Improvement Program	(1,281,689)
Sustainable Community Planning Grant	(21,997)
Debt Service Funds:	
CIEDB Police Facility Lease Obligation	(178,975)
2005 PERS Obligation Bonds	(1,414,070)
Internal Service Funds:	
Insurance Reserve	(7,216,150)

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

Excess of Expenditures over Appropriations

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

Fund	Appropriations	Expenditures	Excess
Major governmental funds:			
General fund:			
City manager	\$ 892,356	\$ 937,096	\$ 44,740
Capital outlay	497,103	1,103,395	606,292
Housing Asset fund:			
Transfers out	-	709,335	709,335
Nonmajor Governmental Funds:			
Special Revenue:			
Gas tax:			
Public works	32,988	427,755	394,767
Capital outlay	-	291,702	291,702
Asset Forfeiture:			
Public safety	301,588	358,352	56,764
Capital outlay	417,406	706,297	288,891
MTA Measure R:			
Capital outlay	900,000	1,002,680	102,680
Community Development Block Grant:			
Interest and fiscal charges	211,958	313,331	101,373
HOME Grant			
Community Development	441,693	1,103,785	662,092
Debt Service:			
Public Financing Authority:			
Principal retirement	485,000	495,939	10,939

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2015, cash and investments were reported in the accompanying financial statements as follows:

	Government- wide Statement of Net Position	Fiduciary Fund Statement of Net Position		
		Successor Agency	Other Agency	Total
Unrestricted assets				
Cash and investments	\$ 26,485,705	\$ -	\$ 5,648,245	\$ 32,133,950
Restricted assets				
Cash and investments with fiscal agents	1,703,073	1,049,849	6,109,159	8,862,081
Total cash and investments	<u>\$ 28,188,778</u>	<u>\$ 1,049,849</u>	<u>\$ 11,757,404</u>	<u>\$ 40,996,031</u>

Cash and investments at June 30, 2015, consisted of the following:

Cash on hand	\$ 4,464
Deposits with financial institutions	22,983,875
Investments	<u>18,007,692</u>
Total cash and investments	<u>\$ 40,996,031</u>

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

Deposits

The California Government Code requires California financial institutions to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a financial institution with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

<u>Authorized Investment Type</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	No	N/A	N/A	N/A
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	30%	30%
Commercial Paper	Yes	270 days	25%	10%
Certificates of Deposit	Yes	5 years	30%	None
Medium-Term Notes	No	N/A	N/A	N/A
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	20%	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, 2015:

Investment Type	Amount	Minimum Legal Rating	AAA	AA+	AA-	A+	A-	Not Rated
State investment pool	\$ 7,982,898	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,982,898
Certificates of deposit	976,200	N/A	976,200	-	-	-	-	-
Held by fiscal agent:								
Money market funds	7,452,298	N/A	7,452,298	-	-	-	-	-
Investment agreements	<u>1,596,296</u>	N/A	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,596,296</u>
Total	<u>\$ 18,007,692</u>		<u>\$ 8,428,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,579,194</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, 2015, 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, 2015, 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, 2015, 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	\$ 7,982,898	\$ 7,982,898	\$ -	\$ -
Certificates of deposit	976,200	976,200	-	-
Held by fiscal agent:				
Money market funds	7,452,298	7,452,298	-	-
Investment agreements	1,596,296	-	-	1,596,296
	<u>\$ 18,007,692</u>	<u>\$ 16,411,396</u>	<u>\$ -</u>	<u>\$ 1,596,296</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, 2015 follows:

	Beginning Balance, July 1, 2014	Additions	Deletions/ Transfers	Ending Balance, June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,168,261	\$ 876,859	\$ -	\$ 9,045,120
Construction in progress	1,762,051	-	(1,762,051)	-
Total capital assets not being depreciated	<u>9,930,312</u>	<u>876,859</u>	<u>(1,762,051)</u>	<u>9,045,120</u>
Capital assets being depreciated:				
Structures and improvements	56,854,455	-	-	56,854,455
Machinery and equipment				
City	19,383,089	273,621	-	19,656,710
Equipment replacement	6,845,964	952,093	(770,555)	7,027,502
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	114,948,680	14,145,417	-	129,094,097
Total capital assets being depreciated	<u>214,391,742</u>	<u>15,371,131</u>	<u>(770,555)</u>	<u>228,992,318</u>
Less accumulated depreciation for:				
Structures and improvements	(23,125,121)	(1,710,158)	-	(24,835,279)
Machinery and equipment				
City	(17,870,544)	(347,024)	-	(18,217,568)
Equipment replacement	(5,794,200)	(476,088)	730,218	(5,540,070)
Parking Authority - structures	(14,947,996)	(408,989)	-	(15,356,985)
Infrastructure	(46,965,413)	(2,616,955)	-	(49,582,368)
Total accumulated depreciation	<u>(108,703,274)</u>	<u>(5,559,214)</u>	<u>730,218</u>	<u>(113,532,270)</u>
Capital assets being depreciated, net	<u>105,688,468</u>	<u>9,811,917</u>	<u>(40,337)</u>	<u>115,460,048</u>
Governmental activities				
Capital assets, net	<u>\$ 115,618,780</u>	<u>\$ 10,688,776</u>	<u>\$ (1,802,388)</u>	<u>\$ 124,505,168</u>

NOTE 4 CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance, July 1, 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance, June 30, 2015</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated:				
Land	\$ 37,314	\$ -	\$ -	\$ 37,314
Construction in Progress	<u>910,068</u>	<u>258,903</u>	<u>(195,021)</u>	<u>973,950</u>
Total capital assets not being depreciated	<u>947,382</u>	<u>258,903</u>	<u>-</u>	<u>1,011,264</u>
Capital assets being depreciated:				
Structures and improvements	1,785,800	208,088	-	1,993,888
Machinery and equipment	28,130	-	-	28,130
Infrastructure				
Airport	10,723,022	-	-	10,723,022
Storm and sewer drain	<u>12,928,059</u>	<u>-</u>	<u>-</u>	<u>12,928,059</u>
Total capital assets being depreciated	<u>25,465,011</u>	<u>208,088</u>	<u>-</u>	<u>25,673,099</u>
Less accumulated depreciation for:				
Structures and improvements	(1,558,335)	(56,521)	-	(1,614,856)
Machinery and equipment	(27,054)	(1,076)	-	(28,130)
Infrastructure				
Airport	(3,364,070)	(268,076)	-	(3,632,146)
Storm and sewer drain	<u>(10,579,842)</u>	<u>(67,792)</u>	<u>-</u>	<u>(10,647,634)</u>
Total accumulated depreciation	<u>(15,529,301)</u>	<u>(393,465)</u>	<u>-</u>	<u>(15,922,766)</u>
Capital assets being depreciated, net	<u>9,935,710</u>	<u>(185,377)</u>	<u>-</u>	<u>9,750,333</u>
Business-type activities				
Capital assets, net	<u>\$ 10,883,092</u>	<u>\$ 73,526</u>	<u>\$ -</u>	<u>\$ 10,761,597</u>

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

Governmental activities:	<u>Amount</u>
General government	\$ 946,446
Public safety	1,338,648
Public works	2,570,019
Community development	70,659
Parks and recreation	157,354
Internal service fund - equipment replacement	<u>476,088</u>
Total depreciation expense - governmental activities	<u>\$ 5,559,214</u>
Business-type activities:	
Airport	\$ 325,672
Sewer and storm drain	<u>67,793</u>
	<u>\$ 393,465</u>

NOTE 5 INTERFUND ACTIVITY

The following represents the City's interfund activity for the fiscal year ended June 30, 2015.

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, 2015:

Receivable Fund	Amount	Payable Fund	Amount
Major Funds:		Nonmajor Funds:	
General	\$ 2,335,087	California Office of Traffic Safety	\$ 42,623
		Community Development Block Grant	562,322
		HOME Grant	745,571
		Edward Byrne Memorial Justice Assistance Program	28,933
		Hawthorne Blvd Mobility Improvement Program	538,425
		Public Financing Authority	238,238
		CIEDB Police Facility Lease Obligation	178,975
Totals	\$ 2,335,087		\$ 2,335,087

Advances to/from Other Funds

The General Fund has made long-term advances of \$4,166,003 consisting of \$1,414,070 to the 2005 PERS Obligation Bonds Fund and \$2,751,933 to the Insurance Reserve Fund. The collection of these long-term advances is dependent on the availability of future revenues to repay them, and is not assured. The balance of \$4,166,003 is reported as nonspendable fund balance in the General Fund.

Advances to Successor Agency

Receivable Fund	Payable Fund	Amount
General	Successor Agency Private	
	Private Purpose Trust Fund	\$ <u>44,144,379</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 \$44,144,379 (including \$24,569,524 of accrued interest) has been reserved as potentially uncollectible as of June 30, 2015.

NOTE 5 INTERFUND ACTIVITY (CONTINUED)

Interfund Transfers

Funds	Transfer in	Transfer out
Major Governmental Funds:		
General	\$ -	\$ 2,220,915
Nonmajor Governmental Funds:		
Street	1,800,000	-
Public Financing Authority	725,775	-
CIEDB Police Facility Lease Obligation	1,221,656	-
SBRPCA 2007 Series B Bond	273,484	
Gas Tax	-	1,800,000
Totals	\$ 4,020,915	\$ 4,020,915

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 \$2,220,915 was for debt service on the 1997 COP bonds in the amount of \$725,775, for debt service on the loan to build the police facility in the amount of \$1,221,656, and for debt service on the 2007 SBRPCA bonds in the amount of \$273,484.

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, 2015:

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015	Amount due within one year
Governmental Funds:					
Compensated absences	\$ 3,936,486	\$ -	\$ -	\$ 3,936,486	\$ 984,122
Net pension liability	42,245,054	31,112,410	4,788,291	68,569,173	-
Other postemployment benefits obligation	9,201,127	8,402,000	1,893,429	15,709,698	-
Capital leases payable	37,647	908	16,336	22,219	16,335
Revenue bonds - 2011 Series A	5,294,052	-	495,938	4,798,114	518,184
Lease payable - police facility	14,936,160	-	626,503	14,309,657	652,002
Loan payable - West Basin	57,366	-	6,668	50,698	6,834
Section 108 loan payable	3,885,000	-	355,000	3,530,000	355,000
SBRPCA 2007 Series B Bond	3,160,000	-	130,000	3,030,000	135,000
2005 Pension Obligation Bonds	20,155,000	-	2,125,000	18,030,000	2,350,000
Total Governmental Funds	102,907,892	39,515,318	10,437,165	131,986,045	5,017,477
Internal Service Funds:					
Claims and judgments	3,485,672	-	-	3,485,672	560,000
Compensated absences	12,540	1,271	-	13,811	-
Net pension liability	1,756,779	569,351	932,233	1,393,897	-
Total Internal Service Funds	5,254,991	570,622	932,233	4,893,380	560,000
Total Governmental long-term obligations	\$ 108,162,883	\$ 40,085,940	\$ 11,369,398	\$ 136,879,425	\$ 5,577,477
Less:					
Net unamortized bond discount				(69,549)	
Net unamortized bond premium				697,929	
Total governmental funds long term debt				\$ 137,507,805	
Business-Type Funds:					
Compensated absences	\$ 104,879	\$ 21,212	\$ -	\$ 126,091	\$ 30,000
Net pension liability	1,747,629	566,386	927,378	1,386,637	-
	\$ 1,852,508	\$ 587,598	\$ 927,378	\$ 1,512,728	\$ 30,000

Compensated Absences

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

NOTE 6 LONG-TERM DEBT (CONTINUED)

Other Postemployment Benefits Obligation

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

Capital Lease Payable

In prior years the City has entered into a capital lease to acquire equipment. These assets have been capitalized with the obligation shown in the statement of net position. The following is a schedule by years of future minimum lease payments under the capital lease agreement as of June 30, 2015:

Year ending June 30	Principal
2016	\$ 16,335
2017	9,529
Total payments	25,864
Less: amount representing interest	3,645
Outstanding Principal, June 30, 2015	\$ 22,219

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
2016	\$ 518,184	\$ 232,416
2017	540,077	219,154
2018	561,603	204,393
2019	582,744	188,085
2020	608,203	169,976
2021-2023	1,987,303	329,186
Total	\$ 4,798,114	\$ 1,343,211

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 \$652,002 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
2016	\$ 652,002	\$ 569,135
2017	678,538	542,058
2018	706,155	513,880
2019	734,895	484,554
2020	761,805	454,036
2021-2025	4,320,064	1,767,107
2026-2030	5,270,069	794,709
2031-2033	1,186,129	24,137
Total	\$ 14,309,657	\$ 5,149,617

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, 2015 was \$50,866. The total debt service requirements to maturity as of June 30, 2015, are as follows:

NOTE 6 LONG-TERM DEBT (CONTINUED)

Year Ending June 30,	Loan Payable West Basin	
	Principal	Interest
2016	\$ 6,834	\$ 2,646
2017	7,184	2,297
2018	7,552	1,930
2019	7,940	1,544
2020	8,344	1,138
2021-2023	12,844	947
Total	\$ 50,698	\$ 10,502

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. Total principal payments of \$355,000 is 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, 2015, are as follows:

Year Ending June 30,	Section 108 Loan	
	Principal	Interest
2016	\$ 355,000	\$ 193,232
2017	355,000	173,991
2018	355,000	154,341
2019	355,000	134,337
2020	355,000	114,031
2021-2025	1,755,000	258,889
Total	\$ 3,530,000	\$ 1,028,821

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 annual installments of \$135,000 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
2016	\$ 135,000	\$ 138,120
2017	140,000	132,551
2018	145,000	126,671
2019	150,000	120,581
2020	160,000	114,206
2021-2025	910,000	457,706
2026-2030	1,130,000	227,693
2031-2032	260,000	12,350
Total	\$ 3,030,000	\$ 1,329,878

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 \$2,350,000 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, 2015, are as follows:

Year Ending June 30,	2005 Pension Obligation Bonds	
	Principal	Interest
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	3,410,000	357,533
2021-2023	3,715,000	186,418
Total	\$ 18,030,000	\$ 3,406,468

Claims and Judgments

As of June 30, 2015, 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, 2015, 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, 2015, the bonds outstanding from these Community Facility Districts totaled \$10,405,000.

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, 2015, the bonds outstanding from this Community Facility District totaled \$3,370,000.

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, 2015, the bonds outstanding from this Community Facility District totaled \$12,975,000.

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, 2015, the Special Tax Refunding Bonds outstanding totaled \$3,855,000.

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

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) cost-sharing multiple-employer plans, and Miscellaneous (all other) agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to 1-Jan-13	On or after 1-Jan-13
Hire date	1-Jan-13	1-Jan-13
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits , as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	19.96%	19.96%

NOTE 8 RETIREMENT PLANS (CONTINUED)

The Safety Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Safety	
	Prior to 1-Jan-13	On or after 1-Jan-13
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits , as a % of eligible compensation	3%	2.0% to 2.7%
Required employee contribution rates	9%	6.75%
Required employer contribution rates	29.56%	29.56%

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms of the Plans:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	154	95
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	137	89
Total	291	184

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NOTE 8 RETIREMENT PLANS (CONTINUED)

Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuations was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	30-Jun-13	30-Jun-13
Measurement Date	30-Jun-14	30-Jun-14
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

(1) Varies by entry age and service

(2) Net of pension plan investment expenses, including inflation

(3) Derived using CalPERS' Membership Data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets.

NOTE 8 RETIREMENT PLANS (CONTINUED)

Discount Rate (Continued)

Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expenses. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New		
	Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastucture and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

NOTE 8 RETIREMENT PLANS (CONTINUED)

Changes in the Net Pension Liability

The following table shows the changes in net pension liability over the measurement period:

	Miscellaneous Plan	Safety Plan
	<u> </u>	<u> </u>
Balance, June 30, 2013	\$ 45,749,462	\$ 46,412,408
Changes recognized for the following:		
Service cost	2,388,303	2,965,005
Interest on the total pension liability	12,438,551	13,320,551
Differences in proportion	-	681,744
Differences in actual and proportionate share in employer contribution	-	(1,633,718)
Contributions from the employer	(2,197,052)	(2,714,348)
Contributions from the employee	(1,118,891)	(866,609)
Net investment income	<u>(20,960,975)</u>	<u>(23,114,725)</u>
Net changes during 2013-2014	<u>(9,450,064)</u>	<u>(11,362,100)</u>
Balance, June 30, 2014	<u>\$ 36,299,398</u>	<u>\$ 35,050,308</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous Plan	Safety Plan
	<u> </u>	<u> </u>
1% Decrease	6.50%	6.50%
Net Pension Liability	\$ 59,020,576	\$ 60,317,041
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$ 36,299,398	\$ 35,050,308
1% Increase	8.50%	8.50%
Net Pension Liability	\$ 17,526,526	\$ 14,231,611

NOTE 8 RETIREMENT PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$4,952,630. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>		<u>Safety Plan</u>	
	Deferred	Deferred	Deferred	Deferred
	Outflows of	Inflows of	Outflows of	Inflows of
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Pension contributions subsequent to measurement date	\$ 2,624,219	\$ -	\$ 2,884,515	\$ -
Difference between actual and proportionate share in contributions	-	-	-	(1,225,357)
Differences in proportions	-	-	502,339	-
Net differences between projected and actual earnings on plan investments	<u>-</u>	<u>(9,569,094)</u>	<u>-</u>	<u>(10,582,847)</u>
Total	<u>\$ 2,624,219</u>	<u>\$ (9,569,094)</u>	<u>\$ 3,386,854</u>	<u>\$ (11,808,204)</u>

Pension contributions made subsequent to the measurement date amounting to \$2,884,514 and \$2,624,219 for Miscellaneous and Safety plan, respectively, were reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
<u>June 30</u>	
2016	\$ (5,296,205)
2017	(5,296,205)
2018	(5,244,563)
2019	(5,037,986)
Thereafter	-

NOTE 8 RETIREMENT PLANS (CONTINUED)

Payable to the Pension Plan

At June 30, 2015, the City did not have any outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Allocation to Proprietary Funds

The City allocated the net pension liability and related costs to the enterprise funds (Airport Fund, Sewer and Storm Drain Fund) and internal service funds based upon the enterprise and internal service funds' proportionate share of the total pension contribution during the fiscal year ended June 30, 2015.

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 cost of 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.

NOTE 9 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (CONTINUED)

Police

All employees who have retired, have at least 20 years of service in the Hawthorne Police Department, and have reached the age of 50, shall be entitled to enroll in a PERS health plan. The City agrees to pay for health insurance for the retired employee and his or her dependent spouse.

A qualified retiree shall be covered by this provision as long as he/she is eligible for PERS health insurance coverage. The dependent spouse of a qualified retiree shall be covered until he/she reaches the age of 65. Any employee who retires with less than the minimum requirements as noted above shall be offered the opportunity to continue their participation in the group health insurance (PERS) in effect at that time.

Funding Policy

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

The required contribution is based on a pay-as-you-go financing requirement with additional amounts to prefund benefits as determined by the City under an actuarial valuation. For fiscal year 2014-2015, the annual required contribution (ARC) was \$8,484,000, 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 2014-2015, the City paid \$1,893,429 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:

NOTE 9 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (CONTINUED)

Annual Required Contribution	\$ 8,484,000
Interest on Net OPEB Obligation	368,000
Adjustments to Annual Required Contribution	<u>(450,000)</u>
Annual OPEB Cost	8,402,000
Annual Contribution Made	<u>1,893,429</u>
Increase (decrease) in Net OPEB Obligation	6,508,571
Net OPEB Obligation, beginning of year	<u>9,201,127</u>
Net OPEB Obligation, end of year	<u>\$ 15,709,698</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2014-2015 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
6/30/2013	\$ 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
6/30/2015	8,402,000	1,893,429	22.54%	15,709,698

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.

The City joined and contributed to CalPERS California Employers' Retiree Benefit Trust (CERBT) Fund. Based on the latest Actuarial Study of the Plan as of June 30, 2015, the Actuarial Accrued Liability (UAAL) was \$103.7 million.

NOTE 9 OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (CONTINUED)

The funded status of the plan as of June 30, 2015, the plan's most recent actuarial valuation date, was:

Actuarial accrued liability (AAL)	\$ 103,720,000
Less Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 103,720,000</u>
Funded ratio (actuarial value of plan assets AAL)	0%
Covered Payroll	<u>\$ 20,404,000</u>
UAAL as a percentage of covered payroll	<u>508%</u>
Normal cost	<u>\$ 3,664,000</u>

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, 2015, used the Entry Age Normal actuarial cost method, a discount rate of 4.00% which is the long-term expected rate of return on the City's investment fund, an annual general inflation rate of 3.00%, and an annual aggregate payroll increase of 3.25%. 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 289 active participants and 251 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, 2015, 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 2015 and 2014, were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2013-2014	\$ 4,439,099	\$ 636,135	\$ (1,589,562)	\$ 3,485,672
2014-2015	3,485,672	-	-	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 2014-2015, the City was assessed \$3,044,776, 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, 2015, SBRPCA's audited financial information is as follows:

South Bay Regional Public Communication Authority	
Net Position	
Total assets	\$ 10,741,965
Total deferred outflows of resources	541,402
Total liabilities	5,460,250
Total deferred inflows of resources	<u>1,363,653</u>
Total net position	<u>\$ 4,459,464</u>
Change in Net Position	
Operating revenues	\$ 9,605,260
Operating expenses	<u>9,360,711</u>
Operating income	244,549
Nonoperating revenues (expenses)	<u>(498,210)</u>
Change in net position	(253,661)
Beginning net position, as restated	<u>4,713,125</u>
Ending net position	<u>\$ 4,459,464</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 and pension contributions made subsequent to the measurement date. 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 <u>at June 30, 2015</u>
Deferred outflow of resources:	
Unamortized loss on defeasance of debt	\$ <u>84,299</u>

The deferred inflow of resources pertains to unavailable revenues which represent receivables that were not received within the availability period and the difference between actual and projected income on pension plan investments.

	Governmental Activities Balance <u>at June 30, 2015</u>
Deferred inflow of resources:	
Unavailable Revenue - Receivables that were not received within the availability period and were not recognized as revenues	\$ <u>10,623,323</u>

Refer to Note 8 for deferred outflows and inflows of resources related to pensions.

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, 2015:

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015	Due within one year
Note payable	\$ 27,313,438	\$ 1,125,000	\$ 407,000	\$ 28,031,438	\$ -
Tax Allocation Bonds	<u>38,415,000</u>	<u>-</u>	<u>1,580,000</u>	<u>36,835,000</u>	<u>1,650,000</u>
Total	<u>\$ 65,728,438</u>	<u>\$ 1,125,000</u>	<u>\$ 1,987,000</u>	<u>\$ 64,866,438</u>	<u>\$ 1,650,000</u>

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

Balance at
June 30, 2015

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 \$295,000 to \$410,000 are due annually on September 1, beginning in the year 2003 through the year 2020.

\$ 2,100,000

Subtotal Hawthorne Plaza Project Area No. 1 2,100,000

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 \$430,000 to \$675,000 are due annually on September 1, beginning in the year 2005 through the year 2024.

5,445,000

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, 2014, 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 \$230,000 to \$330,000 are due annually on September 1, beginning in the year 2007 through 2024.

2,735,000

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 an 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.

26,555,000

Subtotal Redevelopment Project Area 2 29,290,000

**Total Tax Allocation
Bonds Payable** \$ 36,835,000

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.

\$ 28,031,438

Debt Service Requirements to Maturity

The following schedule summarizes the debt service to maturity requirements for bonds outstanding as of June 30, 2015:

Year Ending June 30,	1998 Tax Allocation Refunding Bonds		Year Ending June 30,	2001 Tax Allocation Refunding Bonds	
	Principal	Interest		Principal	Interest
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	525,000	166,375	2020	385,000	41,422
2021-2025	3,065,000	398,375	2021-2023	410,000	14,094
Total	\$ 5,445,000	\$ 1,473,625	Total	\$ 2,100,000	\$ 460,969

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
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	265,000	73,065	2020	830,000	1,197,875
2021-2025	1,500,000	174,825	2021-2025	4,825,000	5,305,750
Total	\$ 2,735,000	\$ 642,336	2026-2030	6,170,000	3,924,631
			2031-2035	7,965,000	2,085,431
			2036-2038	3,800,000	202,125
			Total	\$ 26,555,000	\$ 17,881,696

Commitments and Contingencies

The Successor Agency has assumed a commitment of the former Hawthorne Redevelopment Agency, pertaining to the 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 RESTATEMENTS AND IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Government-Wide Statements

The beginning balance of net position of governmental and business-type activities in the government-wide Statement of Activities has been restated to retroactively report the net pension liability as of the beginning of the fiscal year as a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The City made adjustments for these items as a cumulative effect of change in accounting principle in the current fiscal year. This resulted in a decrease in the beginning balance of net position by \$106,391,770.

	Government-wide Statement of Activities	
	Governmental Activities	Business-type Activities
Net position, beginning of year, as previously reported	\$ 117,173,498	\$ 10,830,172
Prior period adjustments:		
Net adjustments to reflect prior period costs related to implementation of GASB Statement No. 68	105,841,097	550,673
Net position, beginning of year, as restated	\$ 11,332,401	\$ 10,279,499

Fiduciary Funds

The beginning net position deficit of the Successor Agency Private-Purpose Trust Fund has been restated by \$105,048 to remove the fund balance associated with the Housing Asset Fund.

NOTE 16 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 30, 2015, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

NOTE 17 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, 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.

NOTE 17 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

GASB No. 72 - Fair Value Measurement and Application. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and non-employer contributing entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016.

GASB No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016.

GASB No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

City of Hawthorne
Budgetary Comparison by Department
General Fund
Year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 46,996,435	\$ 46,996,435	\$ 48,301,318	\$ 1,304,883
Licenses and permits	2,202,353	2,202,353	2,441,585	239,232
Intergovernmental	1,710,217	1,594,873	1,594,872	(1)
Charges for services	2,066,428	2,066,428	1,958,502	(107,926)
Fines and forfeitures	2,575,000	2,575,000	2,462,579	(112,421)
Use of money and property	3,118,510	51,483	1,925	(49,558)
Contributions	365,000	365,000	365,361	361
Miscellaneous	3,530,536	3,530,536	3,098,670	(431,866)
Total Revenues	<u>62,564,479</u>	<u>59,382,108</u>	<u>60,224,812</u>	<u>842,704</u>
Expenditures				
Current:				
General government				
Mayor and city council	4,592,649	4,737,666	4,484,197	253,469
City clerk	207,010	208,540	108,772	99,768
City manager	886,691	892,356	937,096	(44,740)
City treasurer	32,479	32,842	32,691	151
City attorney	485,300	486,931	473,996	12,935
Administrative services	835,344	854,661	790,921	63,740
Licensing and code enforcement	449,282	452,212	416,275	35,937
Public safety				
Police	33,576,165	33,550,313	33,075,517	474,796
Fire services contract	9,363,000	9,314,259	9,166,338	147,921
Community development				
Planning	1,397,354	1,410,443	1,369,787	40,656
Building and safety	936,282	953,658	948,323	5,335
Parks and recreation	1,734,746	1,770,723	1,703,966	66,757
Public works	5,082,915	5,171,858	5,159,215	12,643
Capital outlay	386,450	497,103	1,103,395	(606,292)
Debt Service:				
Principal payment	-	10,000	9,482	518
Total Expenditures	<u>59,965,667</u>	<u>60,343,565</u>	<u>59,779,971</u>	<u>563,594</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,598,812</u>	<u>(961,457)</u>	<u>444,841</u>	<u>1,406,298</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(2,220,914)</u>	<u>(2,220,915)</u>	<u>(2,220,915)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,220,915)</u>	<u>(2,220,915)</u>	<u>(2,220,915)</u>	<u>-</u>
Change in fund balance	377,897	(3,182,372)	(1,776,074)	1,406,298
Fund balance, beginning of year	<u>17,846,574</u>	<u>17,846,574</u>	<u>17,846,574</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,224,471</u>	<u>\$ 14,664,202</u>	<u>\$ 16,070,500</u>	<u>\$ 1,406,298</u>

City of Hawthorne
Budgetary Comparison by Department
Hawthorne Housing Authority
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 12,592,325	\$ 12,592,325	\$ 9,392,911	\$ (3,199,414)
Investment income	-	-	55	55
Other revenue	<u>13,200</u>	<u>13,200</u>	<u>5,504</u>	<u>(7,696)</u>
Total Revenues	<u>12,605,525</u>	<u>12,605,525</u>	<u>9,398,470</u>	<u>(3,207,055)</u>
Expenditures				
Current:				
Community Development	<u>12,574,405</u>	<u>12,574,405</u>	<u>9,875,960</u>	<u>2,698,445</u>
Total Expenditures	<u>12,574,405</u>	<u>12,574,405</u>	<u>9,875,960</u>	<u>2,698,445</u>
Excess (Deficiency) of Revenues over Expenditures	31,120	31,120	(477,490)	(508,610)
Fund Balances, Beginning	<u>1,001,066</u>	<u>1,001,066</u>	<u>1,001,066</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,032,186</u>	<u>\$ 1,032,186</u>	<u>\$ 523,576</u>	<u>\$ (508,610)</u>

**City of Hawthorne
Budgetary Comparison
Housing Asset
Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 10,000	\$ 10,000	\$ 1,219,846	\$ 1,209,846
Use of money and property	<u>444,555</u>	<u>444,555</u>	<u>343,960</u>	<u>(100,595)</u>
Total Revenues	<u>454,555</u>	<u>454,555</u>	<u>1,563,806</u>	<u>1,109,251</u>
Expenditures				
Current:				
Community Development	<u>410,285</u>	<u>410,285</u>	<u>223,312</u>	<u>186,973</u>
Total Expenditures	<u>410,285</u>	<u>410,285</u>	<u>223,312</u>	<u>186,973</u>
Excess (Deficiency) of Revenues over Expenditures	44,270	44,270	1,340,494	1,296,224
Other financing sources (uses)				
Transfers in	-	-	13,795	13,795
Transfers out	<u>-</u>	<u>-</u>	<u>(709,335)</u>	<u>(709,335)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(695,540)</u>	<u>(695,540)</u>
Net change in fund balance	44,270	44,270	644,954	600,684
Fund Balances, Beginning	<u>933,700</u>	<u>933,700</u>	<u>933,700</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 977,970</u>	<u>\$ 977,970</u>	<u>\$ 1,578,654</u>	<u>\$ 1,296,224</u>

City of Hawthorne
California Public Retirement System
Schedule of Changes in the Net Pension Liability and Related Ratios
Miscellaneous Plan
Last Ten Years*

Measurement Period	Miscellaneous Plan
	2013-14
Total Pension Liability	
Service Cost	\$ 2,388,303
Interest on total pension liability	12,438,551
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	<u>(8,546,377)</u>
Net change in total pension liability	6,280,477
Total pension liability - beginning	168,926,377
Total pension liability - ending (a)	\$ <u>175,206,854</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 2,197,052
Contributions - employee	1,118,891
Net investment income	20,960,975
Benefit payments	<u>(8,546,377)</u>
Net change in plan fiduciary net position	15,730,541
Plan fiduciary net position - beginning	123,176,915
Plan fiduciary net position - ending (b)	\$ <u>138,907,456</u>
Net pension liability - ending (a)-(b)	\$ <u>36,299,398</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79.28%</u>
Covered - employee payroll	<u>\$ 13,000,397</u>
Net pension liability as percentage of covered-employee payroll	<u>279.22%</u>

Notes to Schedule:

Benefit changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumption– There were no changes in assumptions as of the measurement date, June 30, 2014.

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

**City of Hawthorne
California Public Retirement System
Schedule of Plan Contributions
Last Ten Years***

	FY 2013-	
	Miscellaneous Plan	Safety Plan
Actually determined contributions	\$ 2,197,05	\$ 2,714,348
Contributions in relation to the actuarially determined contributions	(2,197,052)	(2,714,348)
Contribution deficiency / (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered-Employee Payroll	 <u>\$ 13,000,39</u>	 <u>\$ 9,859,032</u>
 Contributions as a percentage of Covered-Employee Payroll	 <u>16.90</u>	 <u>27.53%</u>

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry age normal
Amortization method / Period	Level percent of payroll
Asset valuation method	15 year Smoothed Market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment expense and expenses including inflation.
Retirement age	The probabilities of retirement are based on the 2010 Experience Study for the period from 1997 to
Mortality	The probabilities of mortality are based on the 2010 Experience Study for the period from 1997 to 2007. Pre- and Post-retirement mortality rates include 5 years of mortality improvement using Scale AA published by the of Actuaries.

Safety Plan:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden

Changes in assumption - There were no changes in assumptions as of the measurement

* Fiscal year 2015 was the first year of implementation, therefore only one year is

City of Hawthorne
California Public Retirement System
Schedule of Plan's Proportionate Share of the Net Pension Liability and Related Ratios
Safety Plan
Last Ten Years*

	2014
	Safety Plan
Proportion of the net pension liability (asset)	0.56329%
Proportionate share of the net pension liability (asset)	\$ 35,050,308
Covered - employee payroll ⁽¹⁾	\$ 9,859,032
Proportionate Share of the net pension liability (asset) as percentage of covered-employee payroll	355.51%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 4,348,066

* Fiscal year 2015 was the first year of implementation, therefore only one year is shown.

City of Hawthorne

Schedule of Funding Progress – Other Postemployment Employee Benefit Plan

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%	12,621,745	393.66%
6/1/2015	-	103,720,000	(103,720,000)	0.0%	20,404,000	508.33%

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SUPPLEMENTARY INFORMATION

	Special Revenue					
	Street Lighting	Gas Tax	Street	Asset Forfeiture	COPS	California Office of Traffic Safety
ASSETS						
Cash and investments	\$ 58,462	\$ 1,243,850	\$ 989,748	\$ 1,573,291	\$ 129,618	\$ 409
Cash with Fiscal Agent	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	12,922
Taxes	10,154	-	4,450	-	-	-
Notes and loans	-	-	-	-	-	-
Accrued interest	4	198	128	-	22	-
Due from other governments	-	-	-	-	-	-
Total Assets	\$ 68,620	\$ 1,244,048	\$ 994,326	\$ 1,573,291	\$ 129,640	\$ 13,331
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 69,152	\$ 25,075	\$ 190,524	\$ 113,617	\$ -	\$ 117
Accrued liabilities	2,542	-	33,674	-	-	1,008
Unearned revenues	-	-	-	1,363,304	-	-
Deposits payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	42,623
Advances from other funds	-	-	-	-	-	-
Total Liabilities	71,694	25,075	224,198	1,476,921	-	43,748
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	-	-	-
Fund balances (deficits)						
Restricted						
Special revenue funds	-	1,218,973	770,128	96,370	129,640	-
Capital projects fund	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-
Unassigned	(3,074)	-	-	-	-	(30,417)
Total fund balances (deficits)	(3,074)	1,218,973	770,128	96,370	129,640	(30,417)
Total liabilities, deferred inflows of resources and fund balances	\$ 68,620	\$ 1,244,048	\$ 994,326	\$ 1,573,291	\$ 129,640	\$ 13,331

**City of Hawthorne
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

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
\$ 10,882	\$ 1,582,469	\$ 39,134	\$ 1,031,828	\$ 179,158	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	28,208	124,673	-
-	-	-	-	-	-	-
1	286	7	146	29	1,201,664	15,600
-	-	-	-	-	-	-
<u>10,883</u>	<u>1,582,755</u>	<u>39,141</u>	<u>1,031,974</u>	<u>207,395</u>	<u>1,557,987</u>	<u>15,600</u>
\$ -	\$ 110,421	\$ 186,265	\$ 4,368	\$ 520	86,596	\$ -
531	2,117	-	4,007	-	3,680	-
3	-	-	-	-	-	-
-	-	-	-	-	17,897	-
-	-	-	-	-	562,322	-
-	-	-	-	-	-	-
<u>534</u>	<u>112,538</u>	<u>186,265</u>	<u>8,375</u>	<u>520</u>	<u>670,495</u>	<u>-</u>
-	-	-	-	-	1,201,664	15,600
10,349	1,470,217	-	1,023,599	206,875	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(147,124)	-	-	(314,172)	-
<u>10,349</u>	<u>1,470,217</u>	<u>(147,124)</u>	<u>1,023,599</u>	<u>206,875</u>	<u>(314,172)</u>	<u>-</u>
<u>\$ 10,883</u>	<u>\$ 1,582,755</u>	<u>\$ 39,141</u>	<u>\$ 1,031,974</u>	<u>\$ 207,395</u>	<u>\$ 1,557,987</u>	<u>\$ 15,600</u>

	Special Revenue				
	HOME Grant	California Used Oil Recycling	2009 Street Improvements	HPRP Funds	Edward Byrne Memorial Justice Assistance Program
ASSETS					
Cash and investments	\$ 213	\$ 89,788	\$ 2,177,451	\$ 15,153	\$ -
Cash with Fiscal Agent	-	-	-	-	-
Receivables:					
Accounts	1,078,429	-	73,320	-	52,262
Taxes	-	-	-	-	-
Notes and loans	3,078,310	-	-	-	-
Accrued interest	-	14	336	-	-
Due from other governments	-	-	-	-	-
Total Assets	\$ 4,156,952	\$ 89,802	\$ 2,251,107	\$ 15,153	\$ 52,262
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 105,671	\$ -	\$ -	\$ -	\$ 23,329
Accrued liabilities	650	221	-	-	-
Unearned revenues	-	71,397	42,691	-	-
Deposits payable	-	-	-	-	-
Due to other funds	745,571	-	-	-	28,933
Advances from other funds	-	-	-	-	-
Total Liabilities	851,892	71,618	42,691	-	52,262
Deferred Inflows of Resources					
Unavailable revenue	3,283,793	-	-	-	-
Fund balances (deficits)					
Restricted					
Special revenue funds	21,267	18,184	2,208,416	15,153	-
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	21,267	18,184	2,208,416	15,153	-
Total liabilities, deferred inflows of resources and fund balances	\$ 4,156,952	\$ 89,802	\$ 2,251,107	\$ 15,153	\$ 52,262

**City of Hawthorne
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

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
\$ -	\$ -	\$ 4,027,828	\$ -	\$ -	\$ -	\$ 286,908	\$ 13,436,190
-	-	-	1,358,993	-	-	344,080	1,703,073
-	2,275	-	-	-	-	-	1,372,089
-	-	-	-	-	-	-	14,604
-	-	-	-	-	-	-	4,295,574
-	-	560	-	-	-	45	1,776
-	-	-	-	-	-	-	231,650
<u>\$ -</u>	<u>\$ 2,275</u>	<u>\$ 4,028,388</u>	<u>\$ 1,358,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631,033</u>	<u>\$ 21,054,956</u>
\$ 742,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,658,269
650	-	-	-	-	-	-	49,080
-	24,272	-	-	-	-	-	1,501,667
-	-	-	-	-	-	-	17,897
538,425	-	-	238,238	178,975	-	-	2,335,087
-	-	-	-	-	1,414,070	-	1,414,070
<u>1,281,689</u>	<u>24,272</u>	<u>-</u>	<u>238,238</u>	<u>178,975</u>	<u>1,414,070</u>	<u>-</u>	<u>6,976,070</u>
-	-	-	-	-	-	-	4,501,057
-	-	-	-	-	-	-	7,189,171
-	-	4,028,388	-	-	-	-	4,028,388
-	-	-	1,120,755	-	-	631,033	1,751,788
<u>(1,281,689)</u>	<u>(21,997)</u>	<u>-</u>	<u>-</u>	<u>(178,975)</u>	<u>(1,414,070)</u>	<u>-</u>	<u>(3,391,518)</u>
<u>(1,281,689)</u>	<u>(21,997)</u>	<u>4,028,388</u>	<u>1,120,755</u>	<u>(178,975)</u>	<u>(1,414,070)</u>	<u>631,033</u>	<u>9,577,829</u>
<u>\$ -</u>	<u>\$ 2,275</u>	<u>\$ 4,028,388</u>	<u>\$ 1,358,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631,033</u>	<u>\$ 21,054,956</u>

	Special Revenue				
	Street Lighting	Gas Tax	Street	Asset Forfeiture	COPS
Revenues					
Taxes	\$ 581,348	\$ 2,511,127	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	155,000	-	170,686	-	150,846
Charges for services	-	-	195,235	-	-
Fines and forfeitures	-	-	-	1,064,649	-
Use of money and property	3	793	361	976	64
Miscellaneous	-	-	170,000	-	-
Total revenues	<u>736,351</u>	<u>2,511,920</u>	<u>536,282</u>	<u>1,065,625</u>	<u>150,910</u>
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	358,352	-
Public works	643,926	427,755	2,100,227	-	100,000
Community development	-	-	-	-	-
Capital outlay	-	291,702	-	706,297	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>643,926</u>	<u>719,457</u>	<u>2,100,227</u>	<u>1,064,649</u>	<u>100,000</u>
Excess (deficiency) of revenues over expenditures	<u>92,425</u>	<u>1,792,463</u>	<u>(1,563,945)</u>	<u>976</u>	<u>50,910</u>
Other Financing Sources (Uses)					
Transfers in	-	-	1,800,000	-	-
Transfers out	-	(1,800,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,800,000)</u>	<u>1,800,000</u>	<u>-</u>	<u>-</u>
Change in fund balances	92,425	(7,537)	236,055	976	50,910
Fund balances (deficits), beginning	<u>(95,499)</u>	<u>1,226,510</u>	<u>534,073</u>	<u>95,394</u>	<u>78,730</u>
Fund balances (deficits) - ending \$	<u><u>(3,074)</u></u>	<u><u>1,218,973</u></u>	<u><u>770,128</u></u>	<u><u>96,370</u></u>	<u><u>129,640</u></u>

City of Hawthorne
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2015

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
-	-	-	-	-	-	-
-	-	-	-	-	-	-
79,256	168,946	940,608	1,511,632	1,255,969	107,501	941,912
-	-	-	16,889	-	-	-
-	-	-	-	-	-	-
-	6	1,219	7	447	107	62,516
-	-	-	-	-	-	-
<u>79,256</u>	<u>168,952</u>	<u>941,827</u>	<u>1,528,528</u>	<u>1,256,416</u>	<u>107,608</u>	<u>1,004,428</u>
-	-	-	-	-	-	-
79,256	161,862	-	-	-	-	-
-	-	275,581	1,240,994	955,212	-	-
-	-	-	-	-	103,130	456,042
-	7,084	1,002,680	-	-	-	-
-	-	-	-	-	-	355,000
-	-	-	-	-	-	313,331
<u>79,256</u>	<u>168,946</u>	<u>1,278,261</u>	<u>1,240,994</u>	<u>955,212</u>	<u>103,130</u>	<u>1,124,373</u>
-	6	(336,434)	287,534	301,204	4,478	(119,945)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6	(336,434)	287,534	301,204	4,478	(119,945)
(30,417)	10,343	1,806,651	(434,658)	722,395	202,397	(194,227)
<u>(30,417)</u>	<u>\$ 10,349</u>	<u>\$ 1,470,217</u>	<u>\$ (147,124)</u>	<u>\$ 1,023,599</u>	<u>\$ 206,875</u>	<u>\$ (314,172)</u>

	Special Revenue				
	HOME Grant	California Used Oil Recycling	2009 Street Improvements	HPRP Funds	Edward Byrne Memorial Justice Assistance Program
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	1,103,785	9,063	408,006	-	52,262
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	30,666	45	948	-	-
Miscellaneous	-	-	863,234	-	-
Total revenues	<u>1,134,451</u>	<u>9,108</u>	<u>1,272,188</u>	<u>-</u>	<u>52,262</u>
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	9,063	675,019	-	-
Community development	1,103,785	-	-	-	-
Capital outlay	-	-	-	-	52,262
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>1,103,785</u>	<u>9,063</u>	<u>675,019</u>	<u>-</u>	<u>52,262</u>
Excess (Deficiency) of revenues over expenditures	<u>30,666</u>	<u>45</u>	<u>597,169</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	30,666	45	597,169	-	-
Fund balances, beginning	<u>(9,399)</u>	<u>18,139</u>	<u>1,611,247</u>	<u>15,153</u>	<u>-</u>
Fund balances - ending	<u>\$ 21,267</u>	<u>\$ 18,184</u>	<u>\$ 2,208,416</u>	<u>\$ 15,153</u>	<u>\$ -</u>

City of Hawthorne
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2015

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	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,092,475
-	-	1,448,842	-	-	-	-	1,448,842
8,614,006	25,728	-	-	-	-	-	15,695,206
-	-	-	-	-	-	-	212,124
-	-	-	-	-	-	-	1,064,649
-	-	2,100	68	-	-	172	100,498
148,000	-	-	-	-	2,508,435	-	3,689,669
<u>8,762,006</u>	<u>25,728</u>	<u>1,450,942</u>	<u>68</u>	<u>-</u>	<u>2,508,435</u>	<u>172</u>	<u>25,303,463</u>
-	-	-	4,825	45,649	109	4,908	55,491
-	-	-	-	-	-	-	599,470
168,016	-	-	-	-	-	-	6,595,793
-	25,728	135,504	-	-	-	-	1,824,189
9,661,285	-	747,048	-	-	-	-	12,468,358
-	-	-	495,939	626,503	2,125,000	130,000	3,732,442
-	-	-	215,215	595,152	957,765	143,483	2,224,946
<u>9,829,301</u>	<u>25,728</u>	<u>882,552</u>	<u>715,979</u>	<u>1,267,304</u>	<u>3,082,874</u>	<u>278,391</u>	<u>27,500,689</u>
<u>(1,067,295)</u>	<u>-</u>	<u>568,390</u>	<u>(715,911)</u>	<u>(1,267,304)</u>	<u>(574,439)</u>	<u>(278,219)</u>	<u>(2,197,226)</u>
-	-	-	725,775	1,221,656	-	273,484	4,020,915
-	-	-	-	-	-	-	(1,800,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>725,775</u>	<u>1,221,656</u>	<u>-</u>	<u>273,484</u>	<u>2,220,915</u>
(1,067,295)	-	568,390	9,864	(45,648)	(574,439)	(4,735)	23,689
(214,394)	(21,997)	3,459,998	1,110,891	(133,327)	(839,631)	635,768	9,554,140
<u>\$ (1,281,689)</u>	<u>\$ (21,997)</u>	<u>\$ 4,028,388</u>	<u>\$ 1,120,755</u>	<u>\$ (178,975)</u>	<u>\$ (1,414,070)</u>	<u>\$ 631,033</u>	<u>\$ 9,577,829</u>

City of Hawthorne
Budgetary Comparison Schedule
Street Lighting
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 550,000	\$ 550,000	\$ 581,348	\$ 31,348
Intergovernmental	155,000	155,000	155,000	-
Use of money and property	-	-	3	3
Total Revenues	<u>705,000</u>	<u>705,000</u>	<u>736,351</u>	<u>31,351</u>
Expenditures				
Current:				
Public Works	<u>697,545</u>	<u>697,545</u>	<u>643,926</u>	<u>53,619</u>
Total Expenditures	<u>697,545</u>	<u>697,545</u>	<u>643,926</u>	<u>53,619</u>
Excess (Deficiency) of Revenues over Expenditures	<u>7,455</u>	<u>7,455</u>	<u>92,425</u>	<u>84,970</u>
Net Change in Fund Balances	7,455	7,455	92,425	84,970
Fund Balances, Beginning	<u>(95,499)</u>	<u>(95,499)</u>	<u>(95,499)</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ (88,044)</u></u>	<u><u>\$ (88,044)</u></u>	<u><u>\$ (3,074)</u></u>	<u><u>\$ 84,970</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Gas Tax
Year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,621,000	\$ 2,621,000	\$ 2,511,127	\$ (109,873)
Use of money and property	-	-	793	793
Total Revenues	<u>2,621,000</u>	<u>2,621,000</u>	<u>2,511,920</u>	<u>(109,080)</u>
Expenditures				
Current:				
Public works	32,988	32,988	427,755	(394,767)
Capital outlay	-	-	291,702	(291,702)
Total Expenditures	<u>32,988</u>	<u>32,988</u>	<u>719,457</u>	<u>(686,469)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,588,012</u>	<u>2,588,012</u>	<u>1,792,463</u>	<u>(795,549)</u>
Other Financing Sources (Uses)				
Transfers Out	-	(1,800,000)	(1,800,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>-</u>
Net Change in Fund Balances	2,588,012	788,012	(7,537)	(795,549)
Fund Balances, Beginning	<u>1,226,510</u>	<u>1,226,510</u>	<u>1,226,510</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 3,814,522</u></u>	<u><u>\$ 2,014,522</u></u>	<u><u>\$ 1,218,973</u></u>	<u><u>\$ (795,549)</u></u>

City of Hawthorne
Budgetary Comparison Schedule
Street
Year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 169,000	\$ 169,000	\$ 170,686	\$ 1,686
Charges for services	186,000	186,000	195,235	9,235
Investment income	-	-	361	361
Other revenue	170,000	170,000	170,000	-
Total Revenues	<u>525,000</u>	<u>525,000</u>	<u>536,282</u>	<u>11,282</u>
Expenditures				
Current:				
Public Works	<u>2,359,837</u>	<u>2,361,070</u>	<u>2,100,227</u>	<u>260,843</u>
Total Expenditures	<u>2,359,837</u>	<u>2,361,070</u>	<u>2,100,227</u>	<u>260,843</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,834,837)</u>	<u>(1,836,070)</u>	<u>(1,563,945)</u>	<u>272,125</u>
Other Financing Sources (Uses)				
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	(34,837)	(36,070)	236,055	272,125
Fund Balances, Beginning	<u>534,073</u>	<u>534,073</u>	<u>534,073</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 499,236</u>	<u>\$ 498,003</u>	<u>\$ 770,128</u>	<u>\$ 272,125</u>

City of Hawthorne
Budgetary Comparison Schedule
Asset Forfeiture
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ 650,000	\$ 650,000	\$ 1,064,649	\$ 414,649
Investment income	-	-	976	976
Total Revenues	<u>650,000</u>	<u>650,000</u>	<u>1,065,625</u>	<u>415,625</u>
Expenditures				
Current:				
Public safety	301,588	301,588	358,352	(56,764)
Capital outlay	<u>350,000</u>	<u>417,406</u>	<u>706,297</u>	<u>(288,891)</u>
Total Expenditures	<u>651,588</u>	<u>718,994</u>	<u>1,064,649</u>	<u>(345,655)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,588)</u>	<u>(68,994)</u>	<u>976</u>	<u>69,970</u>
Net Change in Fund Balances	(1,588)	(68,994)	976	69,970
Fund Balances, Beginning	<u>95,394</u>	<u>95,394</u>	<u>95,394</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 93,806</u>	<u>\$ 26,400</u>	<u>\$ 96,370</u>	<u>\$ 69,970</u>

City of Hawthorne
Budgetary Comparison Schedule
COPS
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 150,846	\$ 50,846
Investment income	-	-	64	64
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>150,910</u>	<u>50,910</u>
Expenditures				
Current:				
Public works	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	-
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	-
Excess (Deficiency) of Revenues over Expenditures	-	-	<u>50,910</u>	<u>50,910</u>
Net Change in Fund Balances	-	-	50,910	50,910
Fund Balances, Beginning	<u>78,730</u>	<u>78,730</u>	<u>78,730</u>	-
Fund Balances, Ending	<u>\$ 78,730</u>	<u>\$ 78,730</u>	<u>\$ 129,640</u>	<u>\$ 50,910</u>

**City of Hawthorne
Budgetary Comparison Schedule
California Office of Traffic Safety
Year ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 137,806	\$ 266,806	\$ 79,256	\$ (187,550)
Total Revenues	137,806	266,806	79,256	(187,550)
Expenditure				
Current:				
Public safety	105,391	234,391	79,256	155,135
Capital outlay	32,415	32,415	-	32,415
Total Expenditures	137,806	266,806	79,256	187,550
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	(30,417)	(30,417)	(30,417)	-
Fund Balances, Ending	\$ (30,417)	\$ (30,417)	\$ (30,417)	\$ -

**City of Hawthorne
Budgetary Comparison Schedule
Local Law Enforcement Block Grant
Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 246,492	\$ 246,492	\$ 168,946	\$ (77,546)
Use of money and property	-	-	6	6
Total Revenues	<u>246,492</u>	<u>246,492</u>	<u>168,952</u>	<u>(77,540)</u>
Expenditures				
Current:				
Public Safety	207,002	207,002	161,862	45,140
Capital outlay	<u>39,490</u>	<u>56,437</u>	<u>7,084</u>	<u>49,353</u>
Total Expenditures	<u>246,492</u>	<u>263,439</u>	<u>168,946</u>	<u>94,493</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(16,947)</u>	<u>6</u>	<u>16,953</u>
Net Change in Fund Balances	-	(16,947)	6	16,953
Fund Balances, Beginning	<u>10,343</u>	<u>10,343</u>	<u>10,343</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 10,343</u>	<u>\$ (6,604)</u>	<u>\$ 10,349</u>	<u>\$ 16,953</u>

City of Hawthorne
Budgetary Comparison Schedule
MTA Measure R
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 900,000	\$ 900,000	\$ 940,608	\$ 40,608
Use of money and property	-	-	1,219	1,219
Total Revenues	<u>900,000</u>	<u>900,000</u>	<u>941,827</u>	<u>41,827</u>
Expenditures				
Current:				
Public works	301,578	301,578	275,581	25,997
Capital outlay	<u>550,000</u>	<u>900,000</u>	<u>1,002,680</u>	<u>(102,680)</u>
Total Expenditures	<u>301,578</u>	<u>301,578</u>	<u>1,278,261</u>	<u>(976,683)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>598,422</u>	<u>598,422</u>	<u>(336,434)</u>	<u>(934,856)</u>
Net Change in Fund Balances	598,422	598,422	(336,434)	(934,856)
Fund Balances, Beginning	<u>1,806,651</u>	<u>1,806,651</u>	<u>1,806,651</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 2,405,073</u>	<u>\$ 2,405,073</u>	<u>\$ 1,470,217</u>	<u>\$ (934,856)</u>

**City of Hawthorne
Budgetary Comparison Schedule
Proposition A
Year ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,450,000	\$ 1,450,000	\$ 1,511,632	\$ 61,632
Charges for services	13,000	13,000	16,889	3,889
Use of money and property	-	-	7	7
Total Revenues	<u>1,463,000</u>	<u>1,463,000</u>	<u>1,528,528</u>	<u>65,528</u>
Expenditures				
Current:				
Public works	<u>1,245,060</u>	<u>1,245,060</u>	<u>1,240,994</u>	<u>4,066</u>
Total Expenditures	<u>1,245,060</u>	<u>1,245,060</u>	<u>1,240,994</u>	<u>4,066</u>
Excess (Deficiency) of Revenues over Expenditures	<u>217,940</u>	<u>217,940</u>	<u>287,534</u>	<u>69,594</u>
Net Change in Fund Balances	217,940	217,940	287,534	69,594
Fund Balances, Beginning	<u>(434,658)</u>	<u>(434,658)</u>	<u>(434,658)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (216,718)</u>	<u>\$ (216,718)</u>	<u>\$ (147,124)</u>	<u>\$ 69,594</u>

City of Hawthorne
Budgetary Comparison Schedule
Proposition C
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,200,000	\$ 1,200,000	\$ 1,255,969	\$ 55,969
Investment income	-	-	447	447
Total Revenues	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,256,416</u>	<u>56,416</u>
Expenditures				
Current:				
Public works	<u>1,065,423</u>	<u>1,065,423</u>	<u>955,212</u>	<u>110,211</u>
Total Expenditures	<u>1,065,423</u>	<u>1,065,423</u>	<u>955,212</u>	<u>110,211</u>
Excess (Deficiency) of Revenues over Expenditures	<u>134,577</u>	<u>134,577</u>	<u>301,204</u>	<u>166,627</u>
Net Change in Fund Balances	134,577	134,577	301,204	166,627
Fund Balances, Beginning	<u>722,395</u>	<u>722,395</u>	<u>722,395</u>	-
Fund Balances, Ending	<u>\$ 856,972</u>	<u>\$ 856,972</u>	<u>\$ 1,023,599</u>	<u>\$ 166,627</u>

City of Hawthorne
Budgetary Comparison Schedule
Air Quality
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 104,000	\$ 104,000	\$ 107,501	\$ 3,501
Investment income	<u>-</u>	<u>-</u>	<u>107</u>	<u>107</u>
Total Revenues	<u>104,000</u>	<u>104,000</u>	<u>107,608</u>	<u>3,608</u>
Expenditures				
Current:				
Community development	<u>106,640</u>	<u>106,640</u>	<u>103,130</u>	<u>3,510</u>
Total Expenditures	<u>106,640</u>	<u>106,640</u>	<u>103,130</u>	<u>3,510</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,640)</u>	<u>(2,640)</u>	<u>4,478</u>	<u>7,118</u>
Net Change in Fund Balances	(2,640)	(2,640)	4,478	7,118
Fund Balances, Beginning	<u>202,397</u>	<u>202,397</u>	<u>202,397</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 199,757</u>	<u>\$ 199,757</u>	<u>\$ 206,875</u>	<u>\$ 7,118</u>

**City of Hawthorne
Budgetary Comparison Schedule
Community Development Block Grant
Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,154,811	\$ 1,154,811	\$ 941,912	\$ (212,899)
Investment income	-	-	62,516	62,516
Total Revenues	<u>1,154,811</u>	<u>1,154,811</u>	<u>1,004,428</u>	<u>(150,383)</u>
Expenditures				
Current:				
Community development	587,853	587,853	456,042	131,811
Debt service:				
Principal retirement	355,000	355,000	355,000	-
Interest and fiscal charges	<u>211,958</u>	<u>211,958</u>	<u>313,331</u>	<u>(101,373)</u>
Total Expenditures	<u>1,154,811</u>	<u>1,154,811</u>	<u>1,124,373</u>	<u>30,438</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(119,945)</u>	<u>(119,945)</u>
Net Change in Fund Balances	-	-	(119,945)	(119,945)
Fund Balances, Beginning	<u>(194,227)</u>	<u>(194,227)</u>	<u>(194,227)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (194,227)</u>	<u>\$ (194,227)</u>	<u>\$ (314,172)</u>	<u>\$ (119,945)</u>

City of Hawthorne
Budgetary Comparison Schedule
HOME Grant
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 441,693	\$ 441,693	\$ 1,103,785	\$ 662,092
Use of money and property	-	-	30,666	30,666
Total Revenues	<u>441,693</u>	<u>441,693</u>	<u>1,134,451</u>	<u>692,758</u>
Expenditures				
Current:				
Community development	<u>441,693</u>	<u>441,693</u>	<u>1,103,785</u>	<u>(662,092)</u>
Total Expenditures	<u>441,693</u>	<u>441,693</u>	<u>1,103,785</u>	<u>(662,092)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>30,666</u>	<u>30,666</u>
Net Change in Fund Balances	-	-	30,666	30,666
Fund Balances, Beginning	<u>(9,399)</u>	<u>(9,399)</u>	<u>(9,399)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (9,399)</u>	<u>\$ (9,399)</u>	<u>\$ 21,267</u>	<u>\$ 30,666</u>

**City of Hawthorne
Budgetary Comparison Schedule
California Used Oil Recycling
Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 9,063	\$ (12,937)
Investment income	-	-	45	45
Total Revenues	<u>22,000</u>	<u>22,000</u>	<u>9,108</u>	<u>(12,892)</u>
Expenditures				
Current:				
Public works	<u>12,532</u>	<u>12,532</u>	<u>9,063</u>	<u>3,469</u>
Total Expenditures	<u>12,532</u>	<u>12,532</u>	<u>9,063</u>	<u>3,469</u>
Excess (Deficiency) of Revenues over Expenditures	<u>9,468</u>	<u>9,468</u>	<u>45</u>	<u>(9,423)</u>
Net Change in Fund Balances	9,468	9,468	45	(9,423)
Fund Balances, Beginning	<u>18,139</u>	<u>18,139</u>	<u>18,139</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 27,607</u>	<u>\$ 27,607</u>	<u>\$ 18,184</u>	<u>\$ (9,423)</u>

City of Hawthorne
Budgetary Comparison Schedule
2009 Street Improvements
Year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 600,000	\$ 600,000	\$ 408,006	\$ (191,994)
Investment income	-	-	948	948
Other revenue	<u>2,000,000</u>	<u>2,000,000</u>	<u>863,234</u>	<u>(1,136,766)</u>
Total Revenues	<u>2,600,000</u>	<u>2,600,000</u>	<u>1,272,188</u>	<u>(1,327,812)</u>
Expenditures				
Current:				
Public works	<u>4,554,840</u>	<u>4,554,840</u>	<u>675,019</u>	<u>3,879,821</u>
Total Expenditures	<u>4,554,840</u>	<u>4,554,840</u>	<u>675,019</u>	<u>3,879,821</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,954,840)</u>	<u>(1,954,840)</u>	<u>597,169</u>	<u>2,552,009</u>
Net Change in Fund Balances	(1,954,840)	(1,954,840)	597,169	2,552,009
Fund Balances, Beginning	<u>1,611,247</u>	<u>1,611,247</u>	<u>1,611,247</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (343,593)</u>	<u>\$ (343,593)</u>	<u>\$ 2,208,416</u>	<u>\$ 2,552,009</u>

City of Hawthorne
Budgetary Comparison Schedule
Edward Byrne Memorial JAG
Year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 52,268	\$ 52,262	\$ (6)
Total Revenues	-	52,268	52,262	(6)
Expenditures				
Capital Outlay	-	52,268	52,262	6
Total Expenditures	-	52,268	52,262	6
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	\$ -	\$ -	\$ -	\$ -

**City of Hawthorne
Budgetary Comparison Schedule
Hawthorne Boulevard Mobility Improvement Program
Year ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 10,616,893	\$ 10,616,893	\$ 8,614,006	\$ (2,002,887)
Miscellaneous	<u>148,000</u>	<u>148,000</u>	<u>148,000</u>	<u>-</u>
Total Revenues	<u>10,764,893</u>	<u>10,616,893</u>	<u>8,762,006</u>	<u>(1,854,887)</u>
Expenditures				
Current:				
Public Works	254,840	254,840	168,016	86,824
Capital Outlay	<u>10,734,053</u>	<u>10,734,053</u>	<u>9,661,285</u>	<u>1,072,768</u>
Total Expenditures	<u>10,988,893</u>	<u>10,988,893</u>	<u>9,829,301</u>	<u>1,159,592</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(224,000)</u>	<u>(372,000)</u>	<u>(1,067,295)</u>	<u>(695,295)</u>
Net Change in Fund Balances	(224,000)	(372,000)	(1,067,295)	(695,295)
Fund Balances, Beginning	<u>(214,394)</u>	<u>(214,394)</u>	<u>(214,394)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ (438,394)</u>	<u>\$ (586,394)</u>	<u>\$ (1,281,689)</u>	<u>\$ (695,295)</u>

**City of Hawthorne
Budgetary Comparison Schedule
Sustainable Community Planning Grant
Year ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 254,438	\$ 254,438	\$ 25,728	\$ (228,710)
Total Revenues	<u>254,438</u>	<u>254,438</u>	<u>25,728</u>	<u>(228,710)</u>
Expenditures				
Capital outlay	<u>193,794</u>	<u>193,794</u>	<u>25,728</u>	<u>168,066</u>
Total Expenditures	<u>193,794</u>	<u>193,794</u>	<u>25,728</u>	<u>168,066</u>
Excess (Deficiency) of Revenues over Expenditures	<u>60,644</u>	<u>60,644</u>	<u>-</u>	<u>(60,644)</u>
Net Change in Fund Balances	60,644	60,644	-	(60,644)
Fund Balances, Beginning	<u>(21,997)</u>	<u>(21,997)</u>	<u>(21,997)</u>	<u>-</u>
Fund Balances, Ending	\$ <u><u>38,647</u></u>	\$ <u><u>38,647</u></u>	\$ <u><u>(21,997)</u></u>	\$ <u><u>(60,644)</u></u>

**City of Hawthorne
 Budgetary Comparison Schedule
 Development Impact
 Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Licenses and permits	\$ 200,000	\$ 200,000	\$ 1,448,842	\$ 1,248,842
Use of money and property	-	-	2,100	2,100
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>1,450,942</u>	<u>1,250,942</u>
Expenditures				
Current:				
Community development	135,504	135,504	135,504	-
Capital outlay	<u>850,000</u>	<u>850,000</u>	<u>747,048</u>	<u>102,952</u>
Total Expenditures	<u>985,504</u>	<u>985,504</u>	<u>882,552</u>	<u>-</u>
Net Change in Fund Balances	(785,504)	(785,504)	568,390	1,353,894
Fund Balances, Beginning	<u>3,459,998</u>	<u>3,459,998</u>	<u>3,459,998</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 2,674,494</u>	<u>\$ 2,674,494</u>	<u>\$ 4,028,388</u>	<u>\$ 1,353,894</u>

City of Hawthorne
Budgetary Comparison Schedule
Public Financing Authority
Year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 68	\$ 68
Total Revenues	<u>-</u>	<u>-</u>	<u>68</u>	<u>68</u>
Expenditures				
Current:				
General government	6,904	6,904	4,825	2,079
Debt service:				
Principal retirement	485,000	485,000	495,939	(10,939)
Interest and fiscal changes	<u>240,775</u>	<u>240,775</u>	<u>215,215</u>	<u>25,560</u>
Total Expenditures	<u>732,679</u>	<u>732,679</u>	<u>715,979</u>	<u>16,700</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(732,679)</u>	<u>(732,679)</u>	<u>(715,911)</u>	<u>16,768</u>
Other Financing Sources (Uses)				
Transfers In	<u>725,775</u>	<u>725,775</u>	<u>725,775</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>725,775</u>	<u>725,775</u>	<u>725,775</u>	<u>-</u>
Net Change in Fund Balances	(6,904)	(6,904)	9,864	16,768
Fund Balances, Beginning	<u>1,110,891</u>	<u>1,110,891</u>	<u>1,110,891</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,103,987</u>	<u>\$ 1,103,987</u>	<u>\$ 1,120,755</u>	<u>\$ 16,768</u>

City of Hawthorne
Budgetary Comparison Schedule
CIEDB Police Facility Lease Obligation
Year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
General government	52,840	52,840	45,649	7,191
Debt service:				
Principal retirement	626,503	626,503	626,503	-
Interest & fiscal charges	595,153	595,153	595,152	1
Total Expenditures	1,274,496	1,274,496	1,267,304	7,192
Excess (Deficiency) of Revenues over Expenditures	(1,274,496)	(1,274,496)	(1,267,304)	7,192
Other Financing Sources (Uses)				
Transfer In	1,221,656	1,221,656	1,221,656	-
Total Other Financing Sources (Uses)	1,221,656	1,221,656	1,221,656	-
Net Change in Fund Balances	(52,840)	(52,840)	(45,648)	7,192
Fund Balances, Beginning	(133,327)	(133,327)	(133,327)	-
Fund Balances, Ending	\$ (186,167)	\$ (186,167)	\$ (178,975)	\$ 7,192

**City of Hawthorne
Budgetary Comparison Schedule
2005 PERS Obligation Bonds
Year ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other revenue	\$ 2,582,242	\$ 2,582,242	\$ 2,508,435	\$ (73,807)
Total Revenues	<u>2,582,242</u>	<u>2,582,242</u>	<u>2,508,435</u>	<u>(73,807)</u>
Expenditures				
Current:				
General government	208	208	109	99
Debt service:				
Principal retirement	2,125,000	2,125,000	2,125,000	-
Interest and fiscal changes	<u>958,062</u>	<u>958,062</u>	<u>957,765</u>	<u>297</u>
Total Expenditures	<u>3,083,270</u>	<u>3,083,270</u>	<u>3,082,874</u>	<u>396</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(501,028)</u>	<u>(501,028)</u>	<u>(574,439)</u>	<u>(73,411)</u>
Net Change in Fund Balances	(501,028)	(501,028)	(574,439)	(73,411)
Fund Balances, Beginning	<u>(839,631)</u>	<u>(839,631)</u>	<u>(839,631)</u>	-
Fund Balances, Ending	<u>\$ (1,340,659)</u>	<u>\$ (1,340,659)</u>	<u>\$ (1,414,070)</u>	<u>\$ (73,411)</u>

City of Hawthorne
Budgetary Comparison Schedule
SBRPCA 2007 Series B Bond
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Use of money and property	\$ 300	\$ 300	\$ 172	\$ (128)
Total Revenues	<u>300</u>	<u>300</u>	<u>172</u>	<u>(128)</u>
Expenditures				
Current:				
General government	5,208	5,208	4,908	300
Debt service:				
Principal retirement	130,000	130,000	130,000	-
Interest and fiscal changes	<u>143,483</u>	<u>143,483</u>	<u>143,483</u>	<u>-</u>
Total Expenditures	<u>278,691</u>	<u>278,691</u>	<u>278,391</u>	<u>300</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(278,391)</u>	<u>(278,391)</u>	<u>(278,219)</u>	<u>172</u>
Other Financing Sources (Uses)				
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	(4,907)	(4,907)	(4,735)	172
Fund Balances, Beginning	<u>635,768</u>	<u>635,768</u>	<u>635,768</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 630,861</u>	<u>\$ 630,861</u>	<u>\$ 631,033</u>	<u>\$ 172</u>

City of Hawthorne
Combining Statement of Net Position
Internal Service Funds
Year ended June 30, 2015

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 313,580	\$ -	\$ 313,580
Receivables			
Accounts	58,072	270,116	328,188
Advances to other funds	310,000	-	310,000
Inventories	14,311	-	14,311
	<u>695,963</u>	<u>270,116</u>	<u>966,079</u>
Total current assets			
Noncurrent assets:			
Capital assets - net of accumulated depreciation	1,487,431	-	1,487,431
	<u>1,487,431</u>	<u>-</u>	<u>1,487,431</u>
Total noncurrent assets			
	<u>2,183,394</u>	<u>270,116</u>	<u>2,453,510</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
	38,051	62,719	100,770
	<u>38,051</u>	<u>62,719</u>	<u>100,770</u>
LIABILITIES			
Current liabilities:			
Accounts payable	174,145	201,277	375,422
Accrued liabilities	13,044	13,845	26,889
Compensated absences	13,811	-	13,811
Advances from other funds	-	2,751,933	2,751,933
Claims and judgments	-	560,000	560,000
	<u>201,000</u>	<u>3,527,055</u>	<u>3,728,055</u>
Total current liabilities			
Noncurrent liabilities:			
Claims and judgments	-	2,925,672	2,925,672
Net pension liability	526,341	867,556	1,393,897
	<u>526,341</u>	<u>3,793,228</u>	<u>4,319,569</u>
Total noncurrent liabilities			
	<u>727,341</u>	<u>7,320,283</u>	<u>8,047,624</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
	138,752	228,702	367,454
	<u>138,752</u>	<u>228,702</u>	<u>367,454</u>
NET POSITION			
Net investment in capital assets	1,487,431	-	1,487,431
Unrestricted	(132,079)	(7,216,150)	(7,348,229)
	<u>(132,079)</u>	<u>(7,216,150)</u>	<u>(7,348,229)</u>
Total net position			
	<u>\$ 1,355,352</u>	<u>\$ (7,216,150)</u>	<u>\$ (5,860,798)</u>

City of Hawthorne
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year ended June 30, 2015

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total</u>
Operating revenues:			
Sales and service charges	\$ 1,005,655	\$ 3,345,408	\$ 4,351,063
Miscellaneous	<u>123,413</u>	<u>-</u>	<u>123,413</u>
Total operating revenues	<u>1,129,068</u>	<u>3,345,408</u>	<u>4,474,476</u>
Operating expenses:			
Administration and general	1,008,882	537,930	1,546,812
Materials and supplies	342,564	-	342,564
Contractual services	65,828	2,627,645	2,693,473
Depreciation	<u>476,088</u>	<u>-</u>	<u>476,088</u>
Total operating expenses	<u>1,893,362</u>	<u>3,165,575</u>	<u>5,058,937</u>
Changes in net position	(764,294)	179,833	(584,461)
Net position			
Beginning of year, as restated	<u>2,119,646</u>	<u>(7,395,983)</u>	<u>(5,276,337)</u>
End of year	<u>\$ 1,355,352</u>	<u>\$ (7,216,150)</u>	<u>\$ (5,860,798)</u>

City of Hawthorne
Combining Statement of Cash Flows
Internal Service Funds
Year ended June 30, 2015

	Equipment Replacement	Insurance Reserve	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 1,074,071	\$ 3,084,082	\$ 4,158,153
Cash paid to suppliers for goods and services	(1,343,420)	(2,778,064)	(4,121,484)
Cash paid to employees for services	<u>(308,264)</u>	<u>(525,047)</u>	<u>(833,311)</u>
Net cash provided (used) by operating activities	<u>(577,613)</u>	<u>(219,029)</u>	<u>(796,642)</u>
Cash flows from noncapital financing activities			
Cash received from other funds	<u>-</u>	<u>219,029</u>	<u>219,029</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>219,029</u>	<u>219,029</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets, net	<u>(916,223)</u>	<u>-</u>	<u>(916,223)</u>
Net increase (decrease) in cash and cash equivalents	(1,493,836)	-	(1,493,836)
Cash and cash equivalents, beginning of year	<u>1,807,416</u>	<u>-</u>	<u>1,807,416</u>
Cash and cash equivalents, end of year	\$ <u><u>313,580</u></u>	\$ <u><u>-</u></u>	\$ <u><u>313,580</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Cash flows from operating activities			
Operating income (loss)	\$ (764,294)	\$ 179,833	\$ (584,461)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	476,088	-	476,088
Increase in accounts receivable	(54,996)	(261,326)	(316,322)
Increase (decrease) in accounts payable	(237,385)	(142,770)	(380,155)
Increase in accrued liabilities and compensated absences	<u>2,974</u>	<u>5,234</u>	<u>8,208</u>
Net cash provided (used) by operating activities	\$ <u><u>(577,613)</u></u>	\$ <u><u>(219,029)</u></u>	\$ <u><u>(796,642)</u></u>

City of Hawthorne
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2015

	<u>Facilities District</u>	<u>City Agency</u>	<u>Totals</u>
Assets			
Cash and investments	\$ 3,625,557	\$ 2,022,688	\$ 5,648,245
Receivables			
Taxes	31,015	-	31,015
Interest	821	-	821
Accounts	-	41,985	41,985
Restricted assets			
Cash and investments with fiscal agents	<u>6,109,159</u>	<u>-</u>	<u>6,109,159</u>
Total assets	<u>\$ 9,766,552</u>	<u>\$ 2,064,673</u>	<u>\$ 11,831,225</u>
Liabilities			
Accounts payable	\$ 2,889	\$ 143,105	\$ 145,994
Deposits payable	-	1,921,568	1,921,568
Accrued liabilities	621,000	-	621,000
Due to bondholders	<u>9,142,663</u>	<u>-</u>	<u>9,142,663</u>
Total liabilities	<u>\$ 9,766,552</u>	<u>\$ 2,064,673</u>	<u>\$ 11,831,225</u>

City of Hawthorne
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year ended June 30, 2015

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
<u>Communities Facilities District</u>				
Assets				
Cash and investments	\$ 6,266,194	\$ 4,447,453	\$ 7,088,090	\$ 3,625,557
Receivables				
Taxes	26,134	31,015	26,134	31,015
Interest	568	822	569	821
Restricted assets				
Cash and investments with fiscal agents	6,871,384	5,118,861	5,881,086	6,109,159
Total Assets	\$ 13,164,280	\$ 9,598,151	\$ 12,995,879	\$ 9,766,552
Liabilities				
Accounts payable	\$ 5,030	\$ 56,248	\$ 58,389	\$ 2,889
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	12,538,250	3,485,766	6,881,353	9,142,663
Total Liabilities	\$ 13,164,280	\$ 3,542,014	\$ 6,939,742	\$ 9,766,552
<u>City Agency</u>				
Assets				
Cash and investments	\$ 2,253,593	\$ 7,390,774	\$ 7,621,679	\$ 2,022,688
Accounts receivable	77,388	41,985	77,388	41,985
Total Assets	\$ 2,330,981	\$ 7,432,759	\$ 7,699,067	\$ 2,064,673
Liabilities				
Accounts payable	\$ 62,708	\$ 2,447,487	\$ 2,367,090	\$ 143,105
Deposits payable	2,268,273	7,644,444	7,991,149	1,921,568
Total Liabilities	\$ 2,330,981	\$ 10,091,931	\$ 10,358,239	\$ 2,064,673



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