



*City of Hawthorne,
California*

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by the Hawthorne Finance Department

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Transmittal Letter

February 28, 2017

Honorable Mayor, City Council and Citizens of the City of Hawthorne:

It is a pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hawthorne for the fiscal year ended June 30, 2016. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards by an independent auditing firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Hawthorne for the fiscal year ended June 30, 2016.

While traditionally addressed to the governing legislative body of the City, this report is also intended to provide relevant financial information to the citizens of the City of Hawthorne, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

Purpose and Management Responsibility – The report consists of management’s representations concerning the finances of the City of Hawthorne. Management assumes full responsibility for the completeness and reliability of all the information presented. To provide a reasonable basis for making these representations, management of the City of Hawthorne has established a comprehensive internal control framework that is designed to both protect the government’s assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hawthorne’s framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City of Hawthorne.

The City is responsible for the completeness and fairness of the information presented in this report. To provide a basis for making these representations, management of the City has established an internal control system that consist of defined responsibility, authority and procedures.

Audited Financial Statements – Rogers, Anderson, Malody & Scott, LLP (“RAMS”), a firm of licensed certified public accountants, has audited the City of Hawthorne’s financial statements.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hawthorne for the fiscal year ended June 30, 2016, are presented fairly in all material respects. After a thorough evaluation of the City's internal controls and all required financial documents, the independent auditors rendered an unmodified ("clean") opinion that the City of Hawthorne's financial statements contained herewith are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

Organization of Report – GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Hawthorne's MD&A can be found in the Financial Section, immediately following the report of the independent auditors.

City of Hawthorne Profile

The City of Hawthorne was incorporated in 1922 and encompasses 6 square miles. The City is located in the South Bay region of Los Angeles County. It is 17 miles east of downtown Los Angeles and 5 miles east of Los Angeles International Airport (LAX). Neighboring communities include Gardena, Lawndale, and Redondo Beach.

The City of Hawthorne is a California General Law city that operates under the Council-Manager form of government. The City Council, which consists of five members, is elected at large and each serves a term of four years. The City Council serves as the legislative and policy-making body of the City and as the Successor Agency to the former Hawthorne Redevelopment Agency, enacting all ordinances and operating resolutions, adopting of the annual budget, appointing commissions and committees, and hiring the City Manager. The City Manager serves as chief executive officer and is responsible for implementing the policies, ordinances and directives of the City Council, for overseeing the day-to-day operations of the City, and for appointing, with City Council concurrence, department directors. The City Attorney and Chief of Police are also appointed directly by the Council.

Every two years, two members of the City Council are elected at large to serve four-year terms. Annually the Council meets and elects from its membership, a Mayor Pro Tem to serve a single-year term. The Mayor serves as the presiding officer of the City Council. Per SB 415, all General Law Cities will be required to move their elections to November and consolidate the election with the County no later than 2022.

City Services – The City provides a wide range of services, including police protection, public works, storm drainage, planning and development, park and landscape maintenance, code enforcement, building inspection, and administration. Fire protection and Library services are provided by Los Angeles County. Many recreation programs for all age groups and services for the mature adult population are provided year round. The City provides for trash collection services through a contracted third party.

Budgetary Policy and Control – The annual budget serves as the foundation for the City of Hawthorne’s financial planning and control. The City Council adopts a budget recommended by the City Manager. The budget is prepared by department, fund and program. After adoption, the City Council may modify appropriations at any time with majority approval. Changes in appropriations at the fund level during the year must be submitted by the City Manager to the City Council for review and approval, and must be accompanied by appropriate fiscal impact analysis. The level of expenditures is controlled at the fund level. The City Manager is authorized to transfer budgeted appropriations within the control accounts, including capital projects, provided no change is made to the total amount provided for any one fund.

Economic Condition and Outlook

Information presented in the City’s financial statements is best understood within the context of our broader economic conditions. The national economy has grown more resilient since the economic decline that began in 2008. Based on the most recent estimates from the Bureau of Economic Analysis, real GDP was 2.9% at the end of the third quarter of 2016. Moderate growth in real disposable income is expected in the coming years, which may result in consumers increasing household spending. Unemployment continues to decline from the high of 10% during the Great Recession. In October 2016, the national unemployment rate was reported at 4.9% per the Bureau of Labor Statistics. The decrease in unemployment is partially due to more workers born during the baby boom generation beginning to retire.

Concerns about the weak global economy and uncertainty at home regarding national politics, Federal Reserve actions and fiscal policy have plagued uneasiness about the recovery every year. The Federal Reserve decided not to raise interest rates in September 2016, citing that the U.S. economy had not yet strengthened and there was doubt in declining energy prices.

LOCAL ECONOMY

According to the February 2016 Economic Forecast and Industry Outlook prepared by the Los Angeles County Economic Development Corporation, “*California has enjoyed remarkable economic growth in recent years. For three years running, the state has added jobs at a faster pace than the nation as a whole. California’s economy is also growing at a faster rate than that of the nation (3.9% vs. 2.4% in 2015, estimated) and accounts for over 13% of U.S. GDP, by far the largest of any state. California’s gross product is expected to expand by 3.1% this year, outpacing the 2.5% pace anticipated for U.S. GDP.*

California has a large and fast-growing economy. Running counter to the narrative that the state is uniformly unfriendly to business, California received more venture capital funds in 2015 than all 49 other states combined (\$33.5 billion vs. \$24.2 billion). California is a global leader in the technology, aerospace, and life sciences industries as well as entertainment, tourism and agriculture. Silicon Valley leads the world in technological innovation, San Diego is a global hub for biotechnology and pharmaceutical research, and Los Angeles ranks third in the world behind New York and London as the preferred city for foreign real estate investment (up from tenth place last year.)

The Los Angeles County unemployment rate was estimated at 5.0% in September 2016, down from 6.2% a year ago, according to the latest available data by State of California Employment Development Department.

The City of Hawthorne is comprised of a majority of single-family homes, condominiums and apartments as well as a mixture of retail, office, industrial, and service entities providing a solid tax base for the City. Most businesses are oriented toward serving local residents and visitors. This local business environment and the availability of amenities in the community make Hawthorne a desirable community in which to work and live.

Hawthorne's General Fund revenues for the 2015-2016 fiscal year increased 0.5% compared with the prior fiscal year. The City's major revenue sources are property taxes, sales taxes, and licenses/fees. The City also receives revenue through the State of California, including gasoline taxes, which are apportioned by the State based upon population, and property taxes in-lieu of motor vehicle license fees, which are apportioned similarly to property taxes. Revenue projections for FY 2015-16 were based on conservative estimates to account for modest economic growth.

One of the City's single largest revenues is sales tax. The City experienced steady growth in sales tax revenues each year since 2012. Increasing sales tax revenues may not be sustainable as more consumers purchase goods and services through online sources. Sales tax revenues saw an increase in fiscal year 2015-2016 with the final true up payments of the Sales Tax in Lieu (Triple Flip). General Retail represents 33.9% of Hawthorne's sales tax revenues. Another area that is changing relates to legislation pushing the use of mass transit and younger consumers choosing mass transit instead of an automobile. In Hawthorne, new auto sales represent 14.4% of the sales tax revenues.

On the expense side, total General Fund expenditures increased by 0.3% in fiscal year 2015-2016 from the prior fiscal year. Total expenses for the City totaled \$59.9 million for the year ended June 30, 2016. Programs and services have been maintained at prior year levels and service levels kept constant, except for City Council approved new projects and programs. Pressures to the cost of providing these programs and services include, but are not limited to, increased labor costs, unfunded state and federal mandates (i.e., increasing minimum wages and part time benefits, storm water runoff permit fees etc.) and increasing pension costs.

Financial Planning

Each year the City engages in two comprehensive processes of financial planning and review. The first occurs as part of the City Council/Successor Agency Board's review of the City Manager's proposed budget in June prior to the commencement of the fiscal year beginning July 1st. The second is the mid-year review that analyzes the operating results for the first half of the fiscal year. The mid-year review offers analyses of the City's financial position, with particular emphasis on the General Fund. The focal point of both reviews is the City's five-year General Fund revenue and expenditure projection. In this light, financial planning assumes a longer-range perspective.

Financial Policies

The City Council adopted a comprehensive list of Financial Policies annually. The Fiscal and Budgetary Policies address a wide range of fiscal management issues, budgetary control, treasury management, reserve ratios, infrastructure, financing methods and employee compensation. The entire Fiscal and Budgetary policy is included in the adopted budget for Fiscal Year 2015-2016.

Cash Management

The City manages a pooled investment program for all funds in which temporarily idle cash is invested in a variety of instruments. The investment program is managed in accordance with the Investment Policy approved by the City Council. Safety, liquidity, and yield, in that order, are the objectives of the investment program. Investments are diversified among investment tools that include certificates of deposit, Federal agency securities and the State of California's Local Agency Investment Fund (LAIF). Quarterly reports on investment status and activity are presented to the City Council.

Risk Management

In 1986, the City became an originating member of the Independent Cities Risk Management Authority (ICRMA), a joint powers authority of 20 California cities, for the purpose of pooling the City of Hawthorne's risk for general liability and workers' compensation losses with those of other member cities. The City maintains self-insurance programs for worker's compensation and general liability insurance up to a maximum of \$500,000 and \$300,000 per occurrence, respectively. General liability claims that exceed the self-insured retention (SIR) are covered by ICRMA up to a maximum of \$20,000,000 per incident. Worker's compensation claims that exceed the (SIR) are insured by ICRMA up to the California statutory limits for worker's compensation. The City contracts with third party administrators who handle all claims against the City.

Major Initiatives

The City of Hawthorne City Council and the City's senior management team have dedicated significant attention and resources in formation of a Strategic Plan that is currently being prepared. Guiding the City's efforts are five individual goals that are being developed, they are: Enhance economic development with community involvement, maintain and improve the City's infrastructure and facilities, maintain financial stability, enhance services to support the evolving community in a changing environment and enhance internal and external communication.

Award and Acknowledgments

The City's Comprehensive Annual Financial Report was prepared through the combined efforts of City staff. Special recognition is due the Finance Department. The department coordinated the closing of the books for the fiscal year, ensuring timely and accurate reporting. We would also like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report.

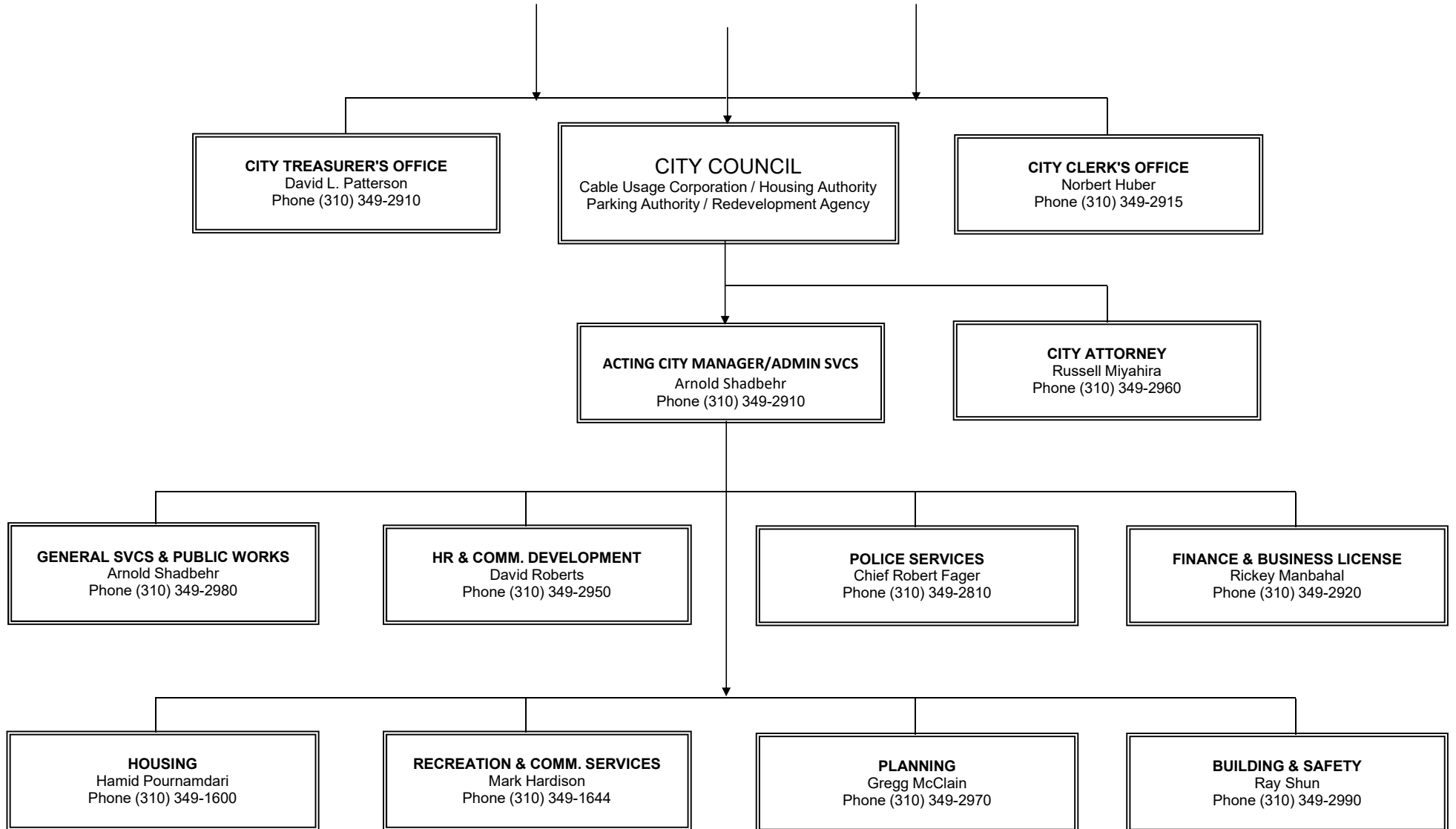
Lastly, a special thank you goes to the Mayor, City Council and City Manager for their support in maintaining the highest standards of professionalism in the management of the City of Hawthorne's finances. Through continued partnership with the community that we serve, the City of Hawthorne will continue to be a leader in effective municipal governance and maintain its high quality of life.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "R. Manbahal".

Rickey S. Manbahal
Finance Director

ELECTORATE



CITY OF HAWTHORNE

LIST OF PRINCIPAL OFFICIALS

City Council

Mayor
Pro Mayor Tem
Councilmember
Councilmember
Councilmember

Alejandro Vargas
Angie Reyes English
Haidar Awad
Nilo Michelin
Olivia Valentine

Administration

City Manager
City Treasurer
City Attorney
City Clerk

Arnold Shadbeh
David Patterson
Russell Miyahira
Norb Huber

Department Heads

Building & Safety Director
Finance Director
Housing & Section 8 Director
Human Resources Director
Chief of Police
Public Works Director
Recreation and Community Services Director
Planning Director

Ray Shun
Rickey S. Manbahal
Hamid Pournamdari
David Roberts
Robert Fager
Arnold Shadbeh
Mark Hardison
Gregg McClain



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Phillip H. Waller, CPA (Partner Emeritus)

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Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA

The Honorable City Council
of the City of Hawthorne
Hawthorne, California

INDEPENDENT AUDITOR'S REPORT

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 (City), as of and for the year ended June 30, 2016, and the related notes to the 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.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

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.

Opinions

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 of Hawthorne, California, as of June 30, 2016, and the respective changes in financial position and, where applicable, 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 required supplementary information as noted in the table of contents, 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 of Hawthorne's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section 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 and schedules 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 and the nonmajor fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017 on our consideration of the City of Hawthorne's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Hawthorne's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP

San Bernardino, California
February 28, 2017

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City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2016

As management of the City of Hawthorne, we offer readers of the City of Hawthornes' financial statements this narrative overview and analysis of the financial activities of the City of Hawthorne for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, the City's net position (assets plus deferred outflows of resources less liabilities and deferred inflows of resources) was 21.1 million. Of this amount, \$(104) million is unrestricted.
- The City of Hawthorne total net position decreased from the prior fiscal year 2014-2015 by \$504,569, in part due to the net decrease in the aggregate of the change in net pension liability and pension related deferred outflows and inflows of resources. The City of Hawthorne's total net pension liability increased by \$8,038,727, the pension related outflows of resources (asset) increased by \$1,792,875, and the pension related inflows of resources (liability) decreased by \$9,154,729 during the current fiscal year. Additional information on City of Hawthorne's net pension liability and related accounts can be found in Note 8 on pages 62-72 of this report.
- At the close of the current fiscal year, the City of Hawthorne governmental funds reported combined fund balances of \$27,854,348, an increase of \$103,789 in comparison with the prior year. Approximately 31.9% of this amount (\$8,889,062) is unassigned fund balance.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the General Fund was \$10,763,286 or approximately 18% of total general fund expenditures.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The City is required to present its financial statement in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB) pronouncements. The discussion and analysis provided here is intended to serve as an introduction to the City of Hawthorne basic financial statements. The City of Hawthorne basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2016

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Hawthorne finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City of Hawthorne assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Hawthorne is improving or declining.

The *statement of activities* presents information showing how the City of Hawthorne net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless* of the timing of related cash flows. Thus, with the use of the accrual basis of accounting, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Hawthorne that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Hawthorne include general government, community development, public safety, highways, streets, and parks, and culture and recreation. The business-type activities of the City of Hawthorne include the City's Airport and Sewer and Storm Drain.

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.

The government-wide financial statements can be found on pages 18-20 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hawthorne, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Hawthorne can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - *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 fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a governments near-term financing requirements.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2016

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City of Hawthorne near-term financing decisions. Both the governmental fund Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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 non-major funds. Individual fund data for other non-major governmental fund is provided in the form of supplementary information elsewhere in the report.

The basic governmental fund financial statements can be found on pages 21-26 of this report.

Proprietary Funds - The City of Hawthorne 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 mechanism 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.

The basic proprietary fund financial statements can be found on pages 27-29 of this 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.

**Management's Discussion and Analysis
For the Year Ended June 30, 2016**

The fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to Basic Financial Statements - The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 32-87 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary comparison schedules, the City's proportionate share of the net pension liability and the related schedule of contributions.

Required supplementary information can be found on pages 89-100 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

The government-wide financial statements provide information about the City's overall financial picture from the perspective of all the City's governmental and business-type funds combined together. This form of financial reporting is intended to provide a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities. The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

Statement of Net Position – Net position may serve over time as a useful indicator of a government's financial condition. In the case of the City of Hawthorne, assets and deferred outflows exceeded liabilities and deferred outflows by \$21.1 million at June 30, 2016. Approximately \$109.3 million of the City of Hawthorne's net position reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt that was used to acquire those assets. The City of Hawthorne uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Hawthorne's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City of Hawthorne's net position, \$15.7 million represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit in *unrestricted net position* of, \$(103.9) million, is for unrestricted uses in accordance with finance-related legal requirements. This deficit reflects liabilities which exceeds assets on hand and is related to implementation of GASB 68 regarding Pension Plan reporting and long-term liabilities such as pension obligation bonds, obligations for other postemployment benefits, and judgments.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2016

At the end of the 2016 fiscal year, the City of Hawthorne is able to report positive balances in all categories of net position for the government as a whole except for unrestricted net position.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 40,855,115	\$ 47,134,036	\$ 2,391,718	\$ 1,451,266	\$ 43,246,833	\$ 48,585,302
Capital assets, net	125,811,179	124,505,168	10,443,914	10,761,597	136,255,093	135,266,765
Total assets	166,666,294	171,639,204	12,835,632	12,212,863	179,501,926	183,852,067
Deferred outflows of resources	6,965,274	4,769,770	142,578	100,245	7,107,852	4,870,015
Long-term debt	148,854,034	137,507,805	1,564,403	119,270	150,418,437	137,627,075
Other liabilities	4,060,617	7,844,372	52,115	1,512,728	4,112,732	9,357,100
Total Liabilities	152,914,651	145,352,177	1,616,518	1,631,998	154,531,169	146,984,175
Deferred inflows of resources	10,850,305	19,786,401	146,907	365,540	10,997,212	20,151,941
Net position						
Net investment in capital assets	98,816,219	98,764,480	10,443,914	10,761,597	109,260,133	109,526,077
Restricted	15,745,305	12,969,347	-	-	15,745,305	12,969,347
Unrestricted	(104,694,912)	(100,463,431)	770,871	(446,027)	(103,924,041)	(100,909,458)
Total net position	\$ 9,866,612	\$ 11,270,396	\$ 11,214,785	\$ 10,315,570	\$ 21,081,397	\$ 21,585,966

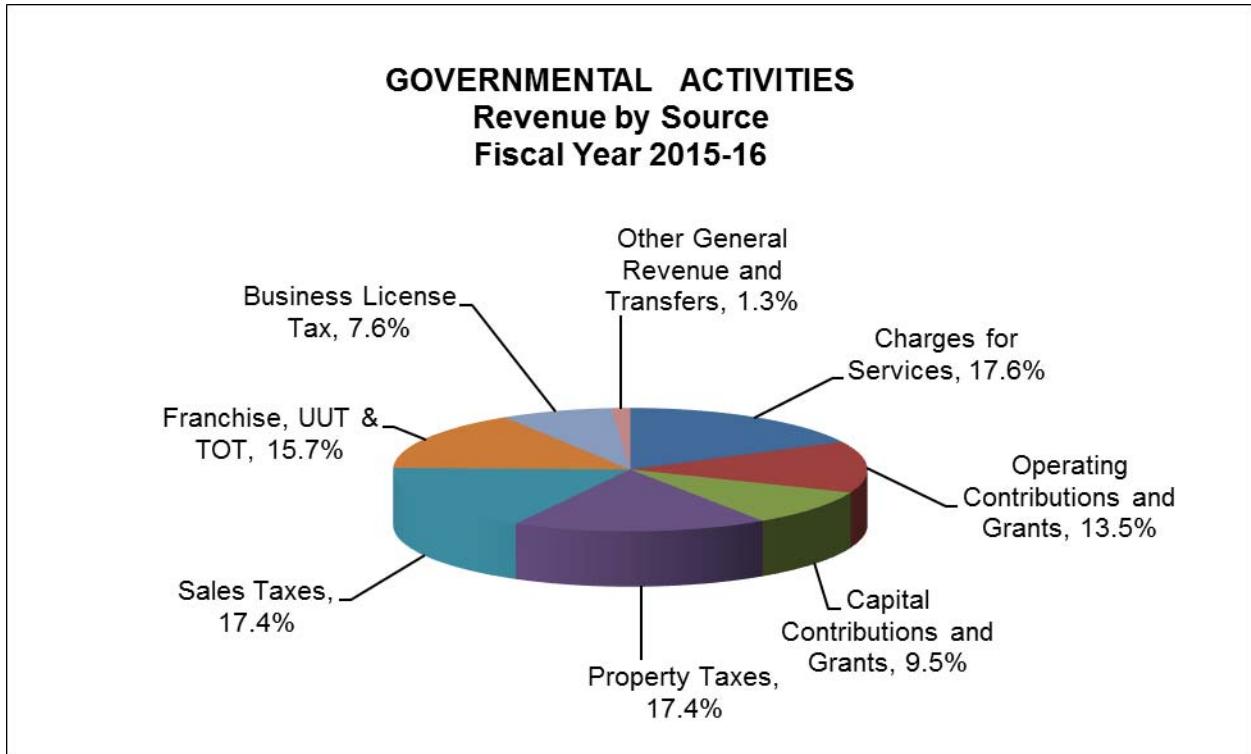
Governmental Activities. The City's net position from governmental activities totaled \$9.9 million. The cost of all governmental activities this year was \$86.3 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$50.2 million because some of the cost was paid by those who directly benefited from the programs (\$14.8 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$19.4 million). Overall, the City's governmental program revenues were \$34.3 million. The City paid for the remaining "public benefit" portion of governmental activities with \$49.1 million in taxes (some of which could only be used for certain programs) and with \$1.1 million of other revenues, such as interest earnings and general entitlements.

The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$48.0 million.

City of Hawthorne

**Management's Discussion and Analysis
For the Year Ended June 30, 2016**

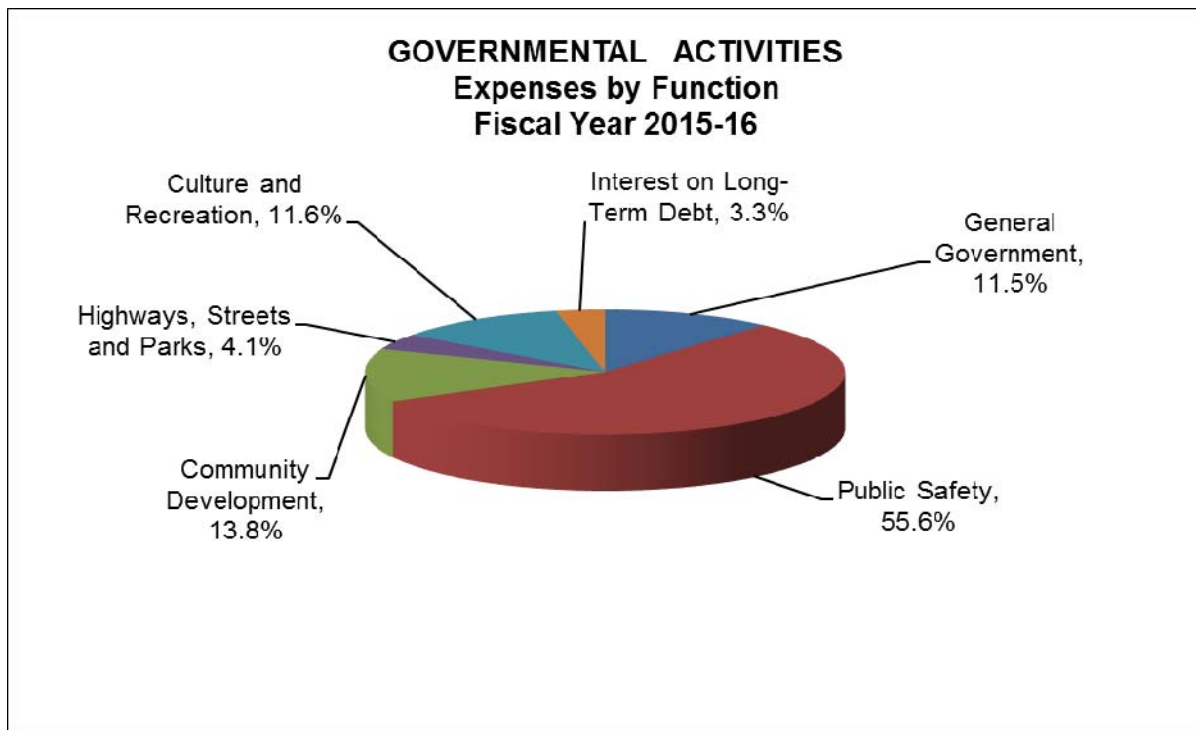
Revenue Source	2016	Percent of Total	Increase (Decrease) From	Percent Increase (Decrease)
			2015	
Charges for services	\$ 14,856,632	17.6%	\$ 2,236,706	15.1%
Operating contributions and grants	11,436,510	13.5%	(12,714,995)	-111.2%
Capital contributions and grants	7,996,379	9.5%	(79,188)	-1.0%
Property taxes	14,693,230	17.4%	(889,634)	-6.1%
Sales taxes	14,721,975	17.4%	200,152	1.4%
Transient occupancy taxes	4,806,401	5.7%	1,449,122	30.1%
Franchise taxes	1,809,159	2.1%	(23,986)	-1.3%
Business License taxes	6,419,659	7.6%	1,471,972	22.9%
Utility Users tax	6,667,384	7.9%	(175,156)	-2.6%
Other	1,130,052	1.3%	846,415	74.9%
Total revenue	\$ 84,537,381	100.0%	\$ (7,678,592)	-9.1%



City of Hawthorne

**Management's Discussion and Analysis
For the Year Ended June 30, 2016**

Function	2016	Percent of Total	Increase (Decrease) From 2015	Percent Increase (Decrease)
General government	\$ 9,959,013	11.5%	\$ 281,068	2.8%
Public safety	47,961,278	55.6%	(36,166,783)	-75.4%
Community development	11,948,791	13.8%	(11,840,584)	-99.1%
Parks and recreation	3,539,851	4.1%	7,923,233	223.8%
Public works	10,020,953	11.6%	(12,058,544)	-120.3%
Interest on long-term debt	2,862,959	3.3%	(2,084,801)	-72.8%
Total expenses	\$ 86,292,845	99.9%	\$ (53,946,411)	-62.5%



City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2016

Business-type Activities. Revenues of the City's business-type activities were \$2.3 million for the fiscal year ending June 30, 2016. Expenses for the City's business-type activities were \$1.8 million for the year, resulting in a net increase in net position of \$573 thousand. The net revenues are the result of several factors, including the following;

The City's Airport recorded total revenue of \$860 thousand. Expenses for the City's Airport were \$932 thousand, resulting in a net deficit of \$72 thousand. The most significant expenses of the Airport are \$483 thousand for administration and general and \$351 thousand in depreciation.

The City's Sewer Maintenance services recorded charges for service of \$1.4 million, which exceeded expenses of \$588 thousand. The most significant expenses of the Sewer Fund are \$566 thousand for administration and general and \$96 thousand for contractual services.

The increase in net position from business-type activities was primarily due to decreased expenses from sewer.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 14,856,632	\$ 12,619,926	\$ 2,244,023	\$ 2,369,096	\$ 17,100,655	\$ 14,989,022
Operating contributions and grants	11,436,510	24,151,505	75,711	198,737	11,512,221	24,350,242
Capital contributions and grants	7,996,379	8,075,567	-	-	7,996,379	8,075,567
General revenues:						
Property taxes	14,693,230	15,582,864	-	-	14,693,230	15,582,864
Sales taxes	14,721,975	14,521,823	-	-	14,721,975	14,521,823
Transient occupancy taxes	4,806,401	3,357,279	-	-	4,806,401	3,357,279
Franchise taxes	1,809,159	1,833,145	-	-	1,809,159	1,833,145
Business License taxes	6,419,659	4,947,687	-	-	6,419,659	4,947,687
Utility Users tax	6,667,384	6,842,540	-	-	6,667,384	6,842,540
Other	1,130,052	283,637	23,963	-	1,154,015	283,637
Total Revenues	84,537,381	92,215,973	2,343,697	2,567,833	86,881,078	94,783,806
Expenses						
General government	9,959,013	9,677,945	-	-	9,959,013	9,677,945
Public safety	47,961,278	48,115,574	-	-	47,961,278	48,115,574
Community development	11,948,791	15,380,435	-	-	11,948,791	15,380,435
Parks and recreation	3,539,851	2,097,720	-	-	3,539,851	2,097,720
Public works	10,020,953	14,921,503	-	-	10,020,953	14,921,503
Interest on long-term debt	2,862,959	2,084,801	-	-	2,862,959	2,084,801
Airport	-	-	931,989	949,809	931,989	949,809
Sewer and storm drain	-	-	838,433	1,581,953	838,433	1,581,953
Total Expenses	86,292,845	92,277,978	1,770,422	2,531,762	88,063,267	94,809,740
Change in Net Position	(1,755,464)	(62,005)	573,275	36,071	(1,182,189)	(25,934)
Net Position, Beginning, as Restated	11,622,076	11,332,401	10,641,510	10,279,499	22,263,586	21,611,900
Net Position, Ending	\$ 9,866,612	\$ 11,270,396	\$ 11,214,785	\$ 10,315,570	\$ 21,081,397	\$ 21,585,966

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2016

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City of Hawthorne uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds.

The focus of the City of Hawthorne's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Hawthorne financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Hawthorne itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Hawthorne's Council.

At June 30, 2016, the City of Hawthorne governmental funds reported combined fund balances of \$27.9 million, an increase of \$0.1 million in comparison with the prior year. Approximately 31.9% of this amount (\$8.9 million) constitutes unassigned fund balance. The remainder of the fund balance is either nonspendable or restricted.

Major Funds

The General Fund is the chief operating fund of the City of Hawthorne. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10.8 million, while total fund balance increased to \$14.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 18% of the total General Fund expenditures, while total fund balance represents approximately 23.3% of that same amount.

The fund balance of the City of Hawthorne General Fund decreased by \$2 million during the current fiscal year, as discussed earlier in connection with governmental activities, the decrease was primarily due to transfers out to non-major funds for the debt service on the 1997 COP bonds, the loan to build the police facility, and the 2007 SBRPCA bonds.

The **Hawthorne Housing Authority Special Revenue Fund** accounts for the housing assistance programs for the qualified low-income residents. This fund ended the year with a fund balance of \$619 thousand.

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. This fund ended the year with a fund balance of \$2,261 thousand.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2016

The **Community Development Block Grant Fund** accounts for Federal grants received from the Department of Housing and Urban Development (HUD). This fund ended the year with a fund deficit of \$311 thousand.

The **Home Grant Fund** accounts for HOME Fund grants received from the U.S. Department of Housing & Urban Development. This fund ended the year with a fund balance of \$98 thousand.

Proprietary Funds.

The City of Hawthorne proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Airport Fund accounts for the operation of the City's airport, which is operated in a manner similar to a private airport. At the end of the year, the net position amounted to \$7,749 thousand. The total net income or (loss) for the Airport Fund was (\$48 thousand).

Sewer and Storm Drain Fund accounts for the operation of the City's sewer services. At the end of the year, the net position amounted to \$3,397 thousand. The total net income or (loss) for the Sewer and Storm Drain Fund was \$588 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the City's adopted General Fund revenue and expenditure budgets were amended. The amendments included adjustments for claims paid and salaries and benefits as a result of a reduction in budgeted positions. These amendments to original budgeted appropriations were authorized by City Council during the mid-year review. Ending fund balance in the General Fund was less than projected due mainly to the authorized use of reserves as noted above.

City of Hawthorne

**Management's Discussion and Analysis
For the Year Ended June 30, 2016**

	General Fund Revenue			
	Fiscal Year 2015-16	Fiscal Year 2014-15	Increase (Decrease)	% Increase (Decrease)
Revenue:				
Taxes and special assessments	\$ 50,966,402	\$ 48,301,318	\$ 2,665,084	5.5%
Licenses and permits	1,782,276	2,441,585	(659,309)	-27.0%
Intergovernmental	1,166,471	1,594,872	(428,401)	-26.9%
Charges for services/developer fees	2,273,419	1,958,502	314,917	16.1%
Fines and forfeitures	2,986,953	2,462,579	524,374	21.3%
Contributions	140,713	365,361	(224,648)	-61.5%
Miscellaneous	1,226,186	3,100,595	(1,874,409)	-60.5%
Total Revenue	\$ 60,542,420	\$ 60,224,812	\$ 317,608	0.5%

	General Fund Expenditures			
	Fiscal Year 2015-16	Fiscal Year 2014-15	Increase (Decrease)	% Increase (Decrease)
Expenditures:				
General government	\$ 9,463,445	\$ 7,243,948	\$ 2,219,497	30.6%
Public safety	42,072,671	42,241,855	(169,184)	-0.4%
Public works	2,384,659	2,318,110	66,549	2.9%
Community development	2,294,520	1,703,966	590,554	34.7%
Parks and recreation	3,467,866	5,159,215	(1,691,349)	-32.8%
Capital outlay	260,530	1,103,395	(842,865)	100.0%
Debt service:				
Principal	-	9,482	(9,482)	-100.0%
Total Expenditures	\$ 59,943,691	\$ 59,779,971	\$ 163,720	0.3%

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. Capital assets including infrastructure of the City are those assets that are used in the performance of the City's functions. At June 30, 2016, net capital assets totaled \$125.8 million for governmental activities and \$10.4 million for business-type activities, net of accumulated depreciation on capital assets, which is recognized in the Government-wide Financial Statement.

This investment in capital includes land, building, improvements other than buildings, infrastructure (streets, sidewalks, traffic signals, etc.) and machinery and equipment. The total decrease in the City's investment in capital asset for Fiscal Year 2015-2016 was \$2.8 million compared to prior year.

There is no major event during the current fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 9,045,120	\$ 9,045,120	\$ 37,314	\$ 37,314	\$ 9,082,434	\$ 9,082,434
Buildings and Improvements	30,312,502	32,019,176	1,322,283	379,032	31,634,785	32,398,208
Furniture and Equipment	3,063,710	3,929,143	-	-	3,063,710	3,929,143
Infrastructure	78,779,789	79,511,729	9,084,317	9,371,301	87,864,106	88,883,030
Investment in Joint Venture (RCC)	3,935,275	3,818,332	-	-	3,935,275	3,818,332
Construction in progress	674,783	-	-	973,950	674,783	973,950
Total	\$ 125,811,179	\$ 128,323,500	\$ 10,443,914	\$ 10,761,597	\$ 136,255,093	\$ 139,085,097

Additional information on the City of Hawthorne's capital assets can be found in Note 3 on pages 49-50 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$39,449,491. Of this amount, \$25,858,114 is debt backed by the full faith and credit of the government. The remainder of the City of Hawthorne's long-term obligations comprises lease payable, loan payable, compensated absences, OPEB, pension-related debt, and claims and judgments.

City of Hawthorne' Outstanding Debt

	Governmental Activities		Internal Service Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Long-Term Debt:								
Bond	\$ 39,449,491	\$ 26,486,494	\$ -	\$ -	\$ -	\$ -	\$ 39,449,491	\$ 26,486,494
Lease payable	6,778	14,331,876	-	-	-	-	6,778	14,331,876
Loan payable	3,218,691	3,580,698	-	-	-	-	3,218,691	3,580,698
Total	\$ 42,674,960	\$ 44,399,068	\$ -	\$ -	\$ -	\$ -	\$ 42,674,960	\$ 44,399,068
Operational Liabilities:								
Compensated absences	3,560,159	3,936,486	21,430	13,811	66,815	126,091	\$ 3,648,404	\$ 4,076,388
OPEB	22,599,722	15,709,698	-	-	-	-	22,599,722	15,709,698
Net Pension Liability	76,350,064	68,569,173	1,540,782	1,393,897	1,497,588	1,386,637	79,388,434	71,349,707
Claims and Judgment payable	-	-	2,106,917	3,485,672	-	-	2,106,917	3,485,672
Total	\$ 102,509,945	\$ 88,215,357	\$ 3,669,129	\$ 4,893,380	\$ 1,564,403	\$ 1,512,728	\$ 107,743,477	\$ 94,621,465

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2016

The City of Hawthorne's total debt increased by \$11,397,904, or (8.2%) during the current fiscal year. The reason for the increase was that the addition of the City's net pension liability during the year.

Additional information on the City of Hawthorne' long-term debt can be found in Note 5, on pages 54-60 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

From a big picture/national economic perspective, the economic upswing out of the recession continues slowly and may have stopped. In the case of the City of Hawthorne, slow and steady growth is projected at this point. Maintaining a conservative outlook, particularly with respect to revenues was the continued focus. The slowing economy seems to be borne out by the relatively slow rate of wage inflation.

National, statewide and regional economic indicators are mixed. The unemployment rate in California dropped from 5.5% in January 2016 to 5.2% through December 2016. Unemployment rate in Hawthorne is 4.60% (U.S. average is 5.20%). Recent job growth is positive and increased by 1.37%. The median home cost in Hawthorne is \$528,400 and home appreciation has been 1.19% during the last year.

Lastly, on the economic front, Hawthorne's home prices continue to appreciate at a rate of 1.19%. Slow and steady in this market is a benefit and continued avoidance of boom/bust cycles is a good thing. Any significant or protracted economic downturn could have a more pronounced impact on high-cost housing markets such as the City of Los Angeles. In January 2016, there was approximately a three-month supply of homes on the market in Hawthorne, which is well below what most real estate analysts see as an optimum supply level.

In developing the budget for fiscal year 2015-16, the first priority was to build on City Council's direction to reduce general fund expenditures and seek opportunities for new revenues. On that note, the City successfully attracted two new Marriott brand hotels, attracted new business such as Blaze Pizza, Solar City and an Amazon distribution center to name a few.

Beyond that, there were a number of challenges caused by the ongoing implementation of the Affordable Care Act requiring both additional financial resources as well as significant additional administrative effort. The changes in the definitions of those terms required careful consideration for managing part-time employees in which some areas (Police Department, Recreation and Community Services and Public Works) were challenged to manage part-time positions and provide a high level of services that will benefit residents.

The City of Hawthorne's financial outlook remains positive. The recommended fiscal year 2015-16 budget is balanced and in compliance with the City Council's amended General Fund Reserve Policy and the recently adopted Fiscal Management Policy.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Hawthorne's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 4455 West 126th Street, Hawthorne, California, 90250.

BASIC FINANCIAL STATEMENTS

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City of Hawthorne

Statement of Net Position June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 21,469,488	\$ 2,470,785	\$ 23,940,273
Cash and investments with fiscal agents	1,815,650	-	1,815,650
Receivables:			
Accounts	5,545,591	182,668	5,728,259
Taxes	122,532	-	122,532
Notes and loans	4,192,899	-	4,192,899
Accrued interest	7,243	-	7,243
Due from other governments	215,168	-	215,168
Internal balances	261,735	(261,735)	-
Due from successor agency	5,181,235	-	5,181,235
Inventories	56,824	-	56,824
Prepaid expenses	1,986,750	-	1,986,750
Capital assets, not being depreciated	9,719,903	1,063,536	10,783,439
Capital assets, net of accumulated depreciation	116,091,276	9,380,378	125,471,654
Total assets	<u>166,666,294</u>	<u>12,835,632</u>	<u>179,501,926</u>
Deferred outflows of resources			
Unamortized loss on defeasance of debt	529,291	-	529,291
Pension related	6,435,983	142,578	6,578,561
Total deferred outflows of resources	<u>6,965,274</u>	<u>142,578</u>	<u>7,107,852</u>
Liabilities			
Accounts payable	1,565,271	31,907	1,597,178
Accrued liabilities	18	-	18
Accrued interest	332,097	-	332,097
Unearned revenue	2,093,919	-	2,093,919
Deposits payable	69,312	20,208	89,520
Noncurrent liabilities:			
Due within one year	4,087,433	13,363	4,100,796
Due in more than one year	144,766,601	1,551,040	146,317,641
Total liabilities	<u>152,914,651</u>	<u>1,616,518</u>	<u>154,531,169</u>
Deferred inflows of resources			
Pension related	10,850,305	146,907	10,997,212
Net position			
Net investment in capital assets	98,816,219	10,443,914	109,260,133
Restricted	15,745,305	-	15,745,305
Unrestricted	(104,694,912)	770,871	(103,924,041)
Total Net Position	<u>\$ 9,866,612</u>	<u>\$ 11,214,785</u>	<u>\$ 21,081,397</u>

The accompanying notes are an integral part of these financial statements.

City of Hawthorne

**Statement of Activities
For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 9,959,013	\$ 7,298,189	\$ 4,472,295	\$ -
Public safety	47,961,278	5,107,481	4,142,698	-
Community development	11,948,791	57,279	937,310	6,928,781
Parks and recreation	3,539,851	663,082	-	-
Public works	10,020,953	1,730,601	1,884,207	1,067,598
Interest on long-term debt	2,862,959	-	-	-
Total governmental activities	86,292,845	14,856,632	11,436,510	7,996,379
Business-type activities:				
Airport	931,989	784,451	75,711	-
Sewer and storm drain	838,433	1,426,639	-	-
Storm water	-	32,933	-	-
Total business-type activities	1,770,422	2,244,023	75,711	-
Total Primary Government	\$ 88,063,267	\$ 17,100,655	\$ 11,512,221	\$ 7,996,379

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Franchise taxes

Business license taxes

Utility users tax

Miscellaneous revenue

Use of money and property

Total general revenues

Change in Net Position

Net Position - Beginning, as Restated (Note 15)

Net Position - Ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ 1,811,471	\$ -	\$ 1,811,471
(38,711,099)	-	(38,711,099)
(4,025,421)	-	(4,025,421)
(2,876,769)	-	(2,876,769)
(5,338,547)	-	(5,338,547)
(2,862,959)	-	(2,862,959)
(52,003,324)	-	(52,003,324)
-	(71,827)	(71,827)
-	588,206	588,206
-	32,933	32,933
-	549,312	549,312
(52,003,324)	549,312	(51,454,012)
14,693,230	-	14,693,230
14,721,975	-	14,721,975
4,806,401	-	4,806,401
1,809,159	-	1,809,159
6,419,659	-	6,419,659
6,667,384	-	6,667,384
1,060,219	23,963	1,084,182
69,833	-	69,833
50,247,860	23,963	50,271,823
(1,755,464)	573,275	(1,182,189)
11,622,076	10,641,510	22,263,586
\$ 9,866,612	\$ 11,214,785	\$ 21,081,397

City of Hawthorne

**Balance Sheet – Governmental Funds
June 30, 2016**

	Special Revenue Funds		
	General	Hawthorne Housing Authority	Housing Asset
ASSETS			
Cash and investments	\$ 5,398,483	\$ 536,842	\$ 2,283,428
Cash with fiscal agent	-	-	-
Receivables:			
Accounts	4,773,039	-	12,111
Taxes	103,869	-	-
Notes and loans	-	-	-
Accrued interest	3,526	-	533
Due from other governments	-	-	-
Due from successor agency	-	-	5,181,235
Due from other funds	1,269,992	-	-
Advances to other funds	1,188,261	101,592	-
Inventories	42,513	-	-
Prepaid expenses	1,986,750	-	-
Total assets	<u>\$ 14,766,433</u>	<u>\$ 638,434</u>	<u>\$ 7,477,307</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 751,790	\$ 19,529	\$ 8,745
Accrued liabilities	55	-	-
Unearned revenues	8,778	-	-
Deposits payable	25,000	-	26,415
Due to other governments	-	-	-
Due to other funds	-	-	-
Advances from other funds	-	-	-
Total liabilities	<u>785,623</u>	<u>19,529</u>	<u>35,160</u>
Deferred Inflows of Resources:			
Unavailable revenue	-	-	5,181,235
Fund Balances (Deficits):			
Nonspendable	3,217,524	101,592	-
Restricted	-	517,313	2,260,912
Unassigned	10,763,286	-	-
Total fund balances (deficits)	<u>13,980,810</u>	<u>618,905</u>	<u>2,260,912</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,766,433</u>	<u>\$ 638,434</u>	<u>\$ 7,477,307</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds			
Community Development Block Grant	HOME Grant	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 78,893	\$ 13,021,461	\$ 21,319,107
-	-	1,815,650	1,815,650
93,197	134,008	528,199	5,540,554
-	-	18,663	122,532
1,178,989	2,998,310	15,600	4,192,899
-	-	3,184	7,243
231,650	-	-	231,650
-	-	-	5,181,235
-	-	-	1,269,992
-	2,457	231,132	1,523,442
-	-	-	42,513
-	-	-	1,986,750
<u>\$ 1,503,836</u>	<u>\$ 3,213,668</u>	<u>\$ 15,633,889</u>	<u>\$ 43,233,567</u>

\$ 20,458	\$ 4,286	\$ 649,053	\$ 1,453,861
-	-	(37)	18
-	-	2,085,141	2,093,919
17,897	-	-	69,312
-	-	7,214	7,214
595,823	-	674,169	1,269,992
-	-	801,251	801,251
<u>634,178</u>	<u>4,286</u>	<u>4,216,791</u>	<u>5,695,567</u>

<u>1,180,557</u>	<u>3,111,388</u>	<u>210,472</u>	<u>9,683,652</u>
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-	2,457	231,132	3,552,705
-	97,994	12,536,362	15,412,581
(310,899)	(2,457)	(1,560,868)	8,889,062
<u>(310,899)</u>	<u>97,994</u>	<u>11,206,626</u>	<u>27,854,348</u>

<u>\$ 1,503,836</u>	<u>\$ 3,213,668</u>	<u>\$ 15,633,889</u>	<u>\$ 43,233,567</u>
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City of Hawthorne

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2016

Fund balances of governmental funds		\$ 27,854,348
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.		124,550,003
Deferred outflows and inflows of resources related to pensions have not been reported in the governmental funds. These amounts exclude pension related deferred outflow and inflows reported in the internal service funds.		
Pension related deferred outflows of resources	\$ 6,268,793	
Pension related deferred inflows of resources	<u>(10,739,223)</u>	(4,470,430)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.		
Bonds payable	(39,449,491)	
Compensated absences	(3,560,159)	
Net pension liability	(76,350,064)	
Other postemployment benefits obligation	(22,599,722)	
Capital lease payable	(6,778)	
Loans payable - West Basin	(43,691)	
Section 108 loans payable	<u>(3,175,000)</u>	(145,184,905)
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.		
Unamortized loss on defeasance of debt		529,291
Unavailable revenues are not available to pay for current expenditures therefore, are deferred in the governmental funds but are recognized as revenues in the statement of activities		9,683,652
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(332,097)
Internal service funds are used to charge the cost of activities to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.		<u>(2,763,250)</u>
Net position of governmental activities		<u>\$ 9,866,612</u>

The accompanying notes are an integral part of these financial statements.

City of Hawthorne

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2016**

	Special Revenue Funds		
	General	Hawthorne Housing Authority	Housing Asset
Revenues			
Taxes	\$ 50,966,402	\$ -	\$ 680,620
Licenses and permits	1,782,276	-	-
Intergovernmental	1,166,471	9,247,199	-
Charges for services	2,273,419	-	-
Fines and forfeitures	2,986,953	-	-
Use of money and property	38,197	75	353,137
Contributions	140,713	-	-
Miscellaneous	1,187,989	13,732	908
Total revenues	<u>60,542,420</u>	<u>9,261,006</u>	<u>1,034,665</u>
Expenditures			
Current:			
General government	9,463,445	-	-
Public safety	42,072,671	-	-
Public works	2,384,659	-	-
Community development	2,294,520	9,179,445	220,612
Parks and recreation	3,467,866	-	-
Capital outlay	260,530	-	-
Debt service:			
Principal payment	-	-	-
Interest and fiscal charges	-	-	-
Bond issuance costs	-	-	-
Total expenditures	<u>59,943,691</u>	<u>9,179,445</u>	<u>220,612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>598,729</u>	<u>81,561</u>	<u>814,053</u>
Other Financing Sources (Uses)			
Issuance of debt	-	-	-
Payment to refunded debt escrow agent	-	-	-
Transfers in	-	-	-
Transfers out	(2,587,043)	-	-
Total other financing sources (uses)	<u>(2,587,043)</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	(1,988,314)	81,561	814,053
Fund Balances (Deficit), Beginning, as Restated (Note 15)	<u>15,969,124</u>	<u>537,344</u>	<u>1,446,859</u>
Fund Balances (Deficit), Ending	<u>\$ 13,980,810</u>	<u>\$ 618,905</u>	<u>\$ 2,260,912</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>			
<u>Community Development Block Grant</u>	<u>HOME Grant</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 2,460,942	\$ 54,107,964
-	-	509,654	2,291,930
855,375	256,825	4,943,828	16,469,698
-	-	227,125	2,500,544
-	-	947,058	3,934,011
-	50,000	29,648	471,057
-	-	47,492	188,205
-	-	4,076,856	5,279,485
<u>855,375</u>	<u>306,825</u>	<u>13,242,603</u>	<u>85,242,894</u>
-	-	54,256	9,517,701
-	-	965,852	43,038,523
-	-	5,817,792	8,202,451
458,891	226,825	209,810	12,590,103
-	-	-	3,467,866
-	-	2,177,721	2,438,251
355,000	-	3,655,186	4,010,186
41,484	-	2,617,302	2,658,786
-	-	941,625	941,625
<u>855,375</u>	<u>226,825</u>	<u>16,439,544</u>	<u>86,865,492</u>
-	80,000	(3,196,941)	(1,622,598)
-	-	31,803,741	31,803,741
-	-	(29,910,984)	(29,910,984)
3,273	-	5,891,694	5,894,967
-	(3,273)	(3,304,651)	(5,894,967)
<u>3,273</u>	<u>(3,273)</u>	<u>4,479,800</u>	<u>1,892,757</u>
3,273	76,727	1,282,859	270,159
<u>(314,172)</u>	<u>21,267</u>	<u>9,923,767</u>	<u>27,584,189</u>
<u>\$ (310,899)</u>	<u>\$ 97,994</u>	<u>\$ 11,206,626</u>	<u>\$ 27,854,348</u>

City of Hawthorne

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2016

Net changes in fund balances - total governmental funds \$ 270,159

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital asset expenditures	\$ 2,310,475	
Depreciation expense	<u>(5,339,154)</u>	(3,028,679)

Certain revenues in the governmental funds are deferred inflows of resources because they are measurable but not available under the modified accrual basis of accounting. However, the revenues are included on the accrual basis used in the government-wide statements. This amount represents the change during the year.

Grants and other reimbursement revenue		(939,671)
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The issuance of long-term debt 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 an effect on net position.

Long-term debt issued	\$ (31,803,741)	
Payment to refunded debt escrow agency	29,910,984	
Principal payments on long-term debt	4,032,633	
Changes in pension related items	<u>2,582,924</u>	4,722,800

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$ 376,327	
Change in other post employment benefits obligation	(6,890,024)	
Change in accrued interest	708,228	
Amortization of bond discount	(3,736)	
Amortization of bond premium	42,327	
Amortization of deferred amount on refunding	<u>(9,367)</u>	(5,776,245)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in the statement of activities

<u>2,996,172</u>

Changes in net position of governmental activities

<u><u>\$ (1,755,464)</u></u>

The accompanying notes are an integral part of these financial statements.

City of Hawthorne

Statement of Net Position Proprietary Funds June 30, 2016

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 580,208	\$ 1,821,598	\$ 68,979	\$ 2,470,785	\$ 150,381
Receivables:					
Accounts	17,065	165,603	-	182,668	5,037
Advances to other funds	25,126	23,139	-	48,265	336,105
Inventories	-	-	-	-	14,311
Total current assets	<u>622,399</u>	<u>2,010,340</u>	<u>68,979</u>	<u>2,701,718</u>	<u>505,834</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	8,182,398	2,261,516	-	10,443,914	1,261,176
Total noncurrent assets	<u>8,182,398</u>	<u>2,261,516</u>	<u>-</u>	<u>10,443,914</u>	<u>1,261,176</u>
Total assets	<u>8,804,797</u>	<u>4,271,856</u>	<u>68,979</u>	<u>13,145,632</u>	<u>1,767,010</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	<u>53,416</u>	<u>89,162</u>	<u>-</u>	<u>142,578</u>	<u>167,190</u>
LIABILITIES					
Current liabilities:					
Accounts payable	19,107	12,800	-	31,907	111,410
Deposits payable	20,208	-	-	20,208	-
Due to other governments	-	-	-	-	9,268
Compensated absences	13,363	-	-	13,363	4,286
Advances from other funds	310,000	-	-	310,000	796,561
Claims and judgements	-	-	-	-	421,383
Total current liabilities	<u>362,678</u>	<u>12,800</u>	<u>-</u>	<u>375,478</u>	<u>1,342,908</u>
Noncurrent liabilities:					
Compensated absences	53,452	-	-	53,452	17,144
Claims and judgements	-	-	-	-	1,685,534
Net pension liability	621,294	876,294	-	1,497,588	1,540,782
Total noncurrent liabilities	<u>674,746</u>	<u>876,294</u>	<u>-</u>	<u>1,551,040</u>	<u>3,243,460</u>
Total liabilities	<u>1,037,424</u>	<u>889,094</u>	<u>-</u>	<u>1,926,518</u>	<u>4,586,368</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related	<u>72,153</u>	<u>74,754</u>	<u>-</u>	<u>146,907</u>	<u>111,082</u>
NET POSITION					
Net investment in capital assets	8,182,398	2,261,516	-	10,443,914	1,261,176
Unrestricted	<u>(433,762)</u>	<u>1,135,654</u>	<u>68,979</u>	<u>770,871</u>	<u>(4,024,426)</u>
Total net position (deficit)	<u>\$ 7,748,636</u>	<u>\$ 3,397,170</u>	<u>\$ 68,979</u>	<u>\$ 11,214,785</u>	<u>\$ (2,763,250)</u>

The accompanying notes are an integral part of these financial statements.

City of Hawthorne

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016**

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Sales and service charges	\$ 784,451	\$ 1,426,639	\$ 32,933	\$ 2,244,023	\$ 7,332,230
Intergovernmental	75,711	-	-	75,711	-
Miscellaneous	23,963	-	-	23,963	234,158
Total operating revenues	<u>884,125</u>	<u>1,426,639</u>	<u>32,933</u>	<u>2,343,697</u>	<u>7,566,388</u>
OPERATING EXPENSES					
Administration and general	482,835	566,039	-	1,048,874	1,544,382
Materials and supplies	6,871	26,526	-	33,397	303,423
Contractual services	51,576	95,720	-	147,296	2,302,978
Cost of sales and services	39,660	72,379	-	112,039	-
Depreciation	351,047	77,769	-	428,816	419,433
Total operating expenses	<u>931,989</u>	<u>838,433</u>	<u>-</u>	<u>1,770,422</u>	<u>4,570,216</u>
Operating income (loss)	<u>(47,864)</u>	<u>588,206</u>	<u>32,933</u>	<u>573,275</u>	<u>2,996,172</u>
Changes in Net Position	(47,864)	588,206	32,933	573,275	2,996,172
NET POSITION					
Net Position (Deficit), Beginning, as Restated (Note 15)	<u>7,796,500</u>	<u>2,808,964</u>	<u>36,046</u>	<u>10,641,510</u>	<u>(5,759,422)</u>
Net Position (Deficit), Ending	<u>\$ 7,748,636</u>	<u>\$ 3,397,170</u>	<u>\$ 68,979</u>	<u>\$ 11,214,785</u>	<u>\$ (2,763,250)</u>

The accompanying notes are an integral part of these financial statements.

City of Hawthorne

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2016

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities Internal Service Funds
Cash flows from operating activities					
Cash received from customers and users	\$ 913,926	\$ 1,383,199	\$ 32,933	\$ 2,330,058	\$ 7,889,539
Cash paid to suppliers for goods and services	(190,815)	(295,870)	-	(486,685)	(4,860,820)
Cash paid to employees for services	(511,690)	(577,041)	-	(1,088,731)	(1,118,641)
Net cash provided by operating activities	<u>211,421</u>	<u>510,288</u>	<u>32,933</u>	<u>754,642</u>	<u>1,910,078</u>
Cash flows from noncapital financing activities					
Cash paid to other funds	-	(23,139)	-	(23,139)	(1,880,099)
Net cash used for noncapital financing activities	<u>-</u>	<u>(23,139)</u>	<u>-</u>	<u>(23,139)</u>	<u>(1,880,099)</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(52,273)	(58,860)	-	(111,133)	(193,178)
Net cash used for capital and related financing activities	<u>(52,273)</u>	<u>(58,860)</u>	<u>-</u>	<u>(111,133)</u>	<u>(193,178)</u>
Net increase (decrease) in cash and cash equivalents	159,148	428,289	32,933	620,370	(163,199)
Cash and cash equivalents, beginning of year	421,060	1,393,309	36,046	1,850,415	313,580
Cash and cash equivalents, end of year	<u>\$ 580,208</u>	<u>\$ 1,821,598</u>	<u>\$ 68,979</u>	<u>\$ 2,470,785</u>	<u>\$ 150,381</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Cash flows from operating activities					
Operating income (loss)	\$ (47,864)	\$ 588,206	\$ 32,933	\$ 573,275	\$ 2,996,172
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	351,047	77,769	-	428,816	419,433
Net change in pension related items	(56,202)	(93,813)	-	(150,015)	(175,907)
(Increase) decrease in operating assets:					
Accounts receivable	97,563	(43,440)	-	54,123	323,151
Interest receivable	(25,126)	-	-	(25,126)	-
Increase (decrease) in operating liabilities:					
Accounts payable	10,740	(1,359)	-	9,381	(264,014)
Accrued liabilities	(16,825)	(17,075)	-	(33,900)	(26,889)
Due to other governments	-	-	-	-	9,268
Claims and judgements payable	-	-	-	-	(1,378,755)
Unearned revenues	(42,636)	-	-	(42,636)	-
Compensated absences	(59,276)	-	-	(59,276)	7,619
Total adjustments	<u>259,285</u>	<u>(77,918)</u>	<u>-</u>	<u>181,367</u>	<u>(1,086,094)</u>
Net cash provided by operating activities	<u>\$ 211,421</u>	<u>\$ 510,288</u>	<u>\$ 32,933</u>	<u>\$ 754,642</u>	<u>\$ 1,910,078</u>

The accompanying notes are an integral part of these financial statements.

City of Hawthorne

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016**

	Agency Fund	Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
Assets		
Cash and investments	\$ 3,165,773	\$ 2,800,036
Cash and investments with fiscal agents	6,022,434	1,263,228
Taxes receivable	24,226	-
Accounts receivable, net	1,435	-
Due from other governments	-	16,722
Interest receivable	763	169
Total assets	\$ 9,214,631	4,080,155
Deferred Outflows of Resources		
Deferred amount on refunding		1,430,043
Liabilities		
Accounts payable	\$ 400,194	10,147
Accrued liabilities	621,000	-
Interest payable	-	586,105
Advances from City of Hawthorne	-	44,252,041
Deposits payable	2,304,340	-
Due to bond holders	5,889,097	-
Due to City of Hawthorne	-	5,181,634
Long-term liabilities:		
Due within one year	-	2,420,805
Due in more than one year	-	63,096,734
Total liabilities	\$ 9,214,631	115,547,466
Fiduciary Net Position (Deficit)		
Unrestricted net position (deficit)		\$ (110,037,268)

The accompanying notes are an integral part of these financial statements.

City of Hawthorne

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016**

	Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund
Revenues	
Taxes	\$ 7,523,893
Use of money and property	47,062
Contribution of assets from the Housing Asset Fund	2,176,988
Total revenues	<u>9,747,943</u>
Expenses	
General government	2,310,990
Debt service:	
Interest and fiscal charges	2,172,596
Issuance costs	763,604
Total expenses	<u>5,247,190</u>
Changes in net position	4,500,753
Net position (deficit) held in trust, beginning	<u>(114,538,021)</u>
Net position (deficit) held in trust, ending	<u><u>\$ (110,037,268)</u></u>

The accompanying notes are an integral part of these financial statements.

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**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

- 1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

Description of Entity, (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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

- 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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation, (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 Community Development Block Grant Fund accounts for Federal grants received from the Department of Housing and Urban Development (HUD). Grant activity is administered by the Community Development Department and is predominantly restricted to activities in 'target areas'.

The HOME Grant Fund accounts for HOME Fund grants received from the U.S. Department of Housing & Urban Development. These funds are to be used predominantly to aid low & moderate income residents with their housing needs.

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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation, (continued)

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund type:

- *Internal Service Funds* account for financial transactions related to repair, replacement and maintenance of City-owned equipment and the City's self-insurance programs. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City has elected to follow all pronouncements of the GASB.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

2) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation,
(continued)**

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

Fund balance classifications are comprised of 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, described as follows:

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, prepaid items, 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, 2016.

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, 2016.

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

3) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation,
(continued)**

Fund Balance Reporting, (continued)

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 considers a resolution to constitute a formal action of the City Council for the purposes of establishing committed fund balance.

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.

Net Position

Classifications of Net Position are as follows:

Net investment in capital assets - This represents the City's total investment in capital assets, net of accumulated depreciation and 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.

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 or for specific future purposes.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

Cash and Cash Equivalents

For purpose of the statement of cash flows, the City considers 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, and all investment income; including changes in the fair value of investments, is recognized as revenue in the operating statements. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

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

Advances to Successor Agency, as reported in the fund financial statements, are offset by unavailable revenue account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City has accepted several long-term notes under the Community Development Block Grant and HUD Home Federal Programs. At June 30, 2016, the balance of the notes receivable was \$4,192,899 which is deemed to be fully collectible.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

Inventories

Inventories of materials and supplies are carried at cost on a first-in, first-out basis. The City uses the consumption method of accounting for inventories. Special reporting treatments are also applied to governmental fund inventories to indicate that they do not represent available spendable resources, even though they are a component of net current assets. Such amounts are generally offset by fund balance nonspendable accounts.

Prepaid Costs and Land Held for Resale

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, using the consumption method. 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 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. The City has reported its general infrastructure assets which include streets, sidewalks, storm drains, curbs and gutters, handicap ramps and trails.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

Capital Assets, (continued)

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

Major outlays for capital assets and improvements are capitalized as projects or as 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:

	<u>Years</u>
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

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, 2016.

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 Insurance Reserve Internal Service Fund.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

- 1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

Employee Compensated Absences

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

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

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

Property Tax Revenue

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website at www.calpers.ca.gov.

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

Implementation of New Accounting Pronouncements

The City has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to address accounting and financial reporting issues related to fair value measurement. The statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The City implemented GASB Statement No. 82, *Pension Issues*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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 statements address the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

2) CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 23,940,273
Cash and investments with fiscal agents	1,815,650
Statement of fiduciary net position:	
Cash and investments	5,965,809
Cash and investments with fiscal agents	<u>7,285,662</u>
Total	<u>\$ 39,007,394</u>

Cash and investments at June 30, 2016 consisted of the following:

Cash and cash equivalents:	
Petty cash	\$ 2,894
Demand deposits - City	17,718,568
Demand deposits - Successor Agency	<u>5,184,660</u>
Total cash and cash equivalents	<u>22,906,122</u>
Investments:	
Local Agency Investment Fund (LAIF)	6,008,817
Negotiable Certificates of Deposit	991,143
Held by Bond Trustee	<u>9,101,312</u>
Total investments	<u>16,101,272</u>
Total	<u>\$ 39,007,394</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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

2) 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 Obligation	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%
Certificate 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	\$65 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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

2) 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, 2016:

Investment Type	Amount	Minimum Legal Rating	AAA	Not Rated
External Investment Pools -				
Local Agency Investment Fund	\$ 6,008,817	N/A	\$ -	\$ 6,008,817
Negotiable certificates of deposits	991,143	N/A	991,143	-
Held by Bond Trustee:				
Money Market Mutual Funds	7,494,875		7,494,875	-
Investment agreements	1,606,437	N/A	-	1,606,437
Total	\$ 16,101,272		\$ 8,486,018	\$ 7,615,254

Custodial Credit Risk

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.

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. At June 30, 2016, the City deposits (bank balances) were collateralized under California Law.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

2) CASH AND INVESTMENTS, (continued)

Concentration of Credit Risk

The City's investment policy imposes restrictions on the percentage that the City can invest in certain types of investments. 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.

As of June 30, 2016, the City had the following investments and original maturities:

Investment Types	Less than 1 year	1 to 3 years	3 to 5 years	Total
External Investment Pools -				
Local Agency Investment Fund	\$ 6,008,817	\$ -	\$ -	\$ 6,008,817
Negotiable certificates of deposits	991,143	-	-	991,143
Held by Bond Trustee:				-
Money Market Mutual Funds	7,494,875	-	-	7,494,875
Investment agreements	-	-	1,606,437	1,606,437
Total Investments	<u>\$ 14,494,835</u>	<u>\$ -</u>	<u>\$ 1,606,437</u>	<u>\$ 16,101,272</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

2) CASH AND INVESTMENTS, (continued)

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2016.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Negotiable Certificates of Deposit	\$ 991,143	\$ -	\$ 991,143	\$ -
Total Investments by Fair Value Level	991,143	\$ -	\$ 991,143	\$ -
Investments Measured at Net Asset Value (NAV)				
Local Agency Investment Fund (LAIF) Held by Bond Trustee:	6,008,817			

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

3) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2016:

Governmental activities:	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 9,045,120	\$ -	\$ -	\$ 9,045,120
Construction in progress	-	1,840,541	(1,165,758)	674,783
Total capital assets, not depreciated	9,045,120	1,840,541	(1,165,758)	9,719,903
Capital assets, being depreciated:				
Structures and improvements	56,854,455	-	-	56,854,455
Machinery and equipment:				
City	19,656,710	141,406	-	19,798,116
Equipment replacement/vehicles	7,027,502	193,177	(175,553)	7,045,126
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	129,836,711	1,165,758	-	131,002,469
Investment in joint venture (RCC)	6,322,929	328,528	-	6,651,457
Total capital assets, being depreciated	236,057,861	1,828,869	(175,553)	237,711,177
Less accumulated depreciation for:				
Structures and improvements	(24,835,279)	(1,706,674)	-	(26,541,953)
Machinery and equipment:				
City	(18,217,568)	(371,595)	-	(18,589,163)
Equipment replacement/vehicles	(5,540,070)	(419,433)	175,553	(5,783,950)
Parking Authority - structures	(15,356,985)	(408,988)	-	(15,765,973)
Infrastructure	(49,582,368)	(2,640,312)	-	(52,222,680)
Investment in joint venture (RCC)	(2,504,597)	(211,585)	-	(2,716,182)
Total accumulated depreciation	(116,036,867)	(5,758,587)	175,553	(121,619,901)
Total capital assets, being depreciated, net	120,020,994	(3,929,718)	-	116,091,276
Total governmental activities	\$ 129,066,114	\$ (2,089,177)	\$ (1,165,758)	\$ 125,811,179

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

3) CAPITAL ASSETS, (continued)

Business-type activities:	Balance			Balance June 30, 2016
	June 30, 2015	Additions	Deletions	
Capital assets, not being depreciated:				
Land	\$ 37,314	\$ -	\$ -	\$ 37,314
Construction in progress	973,950	52,272	-	1,026,222
Total capital assets, not depreciated	<u>1,011,264</u>	<u>52,272</u>	<u>-</u>	<u>1,063,536</u>
Capital assets, being depreciated:				
Structures and improvements	1,993,888	-	-	1,993,888
Machinery and equipment	28,130	-	-	28,130
Infrastructure:				
Airport	10,723,022	-	-	10,723,022
Storm and sewer drain	12,928,059	58,860	-	12,986,919
Total capital assets, being depreciated	<u>25,673,099</u>	<u>58,860</u>	<u>-</u>	<u>25,731,959</u>
Accumulated Depreciation:				
Structures and improvements	(1,614,856)	(82,971)	-	(1,697,827)
Machinery and equipment	(28,130)	-	-	(28,130)
Infrastructure:				
Airport	(3,632,146)	(268,075)	-	(3,900,221)
Storm and sewer drain	(10,647,634)	(77,769)	-	(10,725,403)
Total accumulated depreciation	<u>(15,922,766)</u>	<u>(428,815)</u>	<u>-</u>	<u>(16,351,581)</u>
Total capital assets, being depreciated, net	<u>9,750,333</u>	<u>(369,955)</u>	<u>-</u>	<u>9,380,378</u>
Total business-type activities	<u>\$ 10,761,597</u>	<u>\$ (317,683)</u>	<u>\$ -</u>	<u>\$ 10,443,914</u>

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

Governmental Activities:	
General government	\$ 1,119,814
Public safety	1,336,333
Public works	2,659,448
Community development	69,481
Parks and recreation	154,078
Internal service fund-equipment replacement	419,433
Total depreciation expense – governmental activities	<u>\$ 5,758,587</u>
Business-type Activities:	
Structures and Improvements	\$ 82,971
Infrastructure:	
Airport	268,075
Sewer and storm drain	77,769
Total depreciation expense – business-type activities	<u>\$ 428,815</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

4) INTERFUND ACTIVITY

The following represents the City's interfund activity for the fiscal year ended June 30, 2016.

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, 2016:

Receivable Fund	Amount	Payable Fund	Amount
General Fund	\$ 1,269,992	Major Fund:	
		Community Development Block Grant	\$ 595,823
		Non-Major Funds:	
		California Office of Traffic Safety	69,246
		Urban Area Security Initiative Grant	27,839
		Edward Byrne Memorial Justice Assistance Program	3,552
		Hawthorne Blvd Mobility Improvement Program	573,532
Totals	<u>\$ 1,269,992</u>		<u>\$ 1,269,992</u>

The loans from the General Fund to the major and non-major funds were made to eliminate short-term cash deficits.

Advances to/from Other Funds

Receivable Fund	Amount	Payable Fund	Amount
Major Fund:		Non-Major Funds:	
General Fund	\$ 1,188,261	Public Financing Authority	\$ 12,148
Hawthorne Housing Authority	101,592	2016 Refunding Bonds	789,103
HOME Grant	2,457	Internal Service Fund:	
Non-Major Funds:		Insurance Reserve	796,561
Street	196,423	Enterprise Fund:	
Asset Forfeiture	11,922	Airport	310,000
MTA Measure R	8,080		
Proposition C	14,707		
Internal Service Fund:			
Equipment Replacement	336,105		
Enterprise Funds:			
Airport	25,126		
Sewer and Storm Drain	23,139		
Totals	<u>\$ 1,907,812</u>		<u>\$ 1,907,812</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

4) INTERFUND ACTIVITY, (continued)

Advances to/from Other Funds, (continued)

In prior fiscal years, the General Fund made long-term advances to the 2005 PERS Obligation Bonds Fund and the Insurance Reserve Internal Service Fund to cover negative cash excess operating expenditures. During the fiscal year ended June 30, 2016, the City of Hawthorne refunded the 2005 PERS Bonds and paid back the funds portion of the advance. The City also made payments toward the other advances wherever possible to reduce the balances.

Advances to Successor Agency

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Successor Agency Private Purpose Trust Fund	<u>\$ 44,252,041</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 \$44,252,041 (including \$24,677,185 of accrued interest) has been reserved as potentially uncollectible as of June 30, 2016.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

4) INTERFUND ACTIVITY, (continued)

Interfund Transfers

Funds	Transfers in	Transfers out
Major Governmental Fund:		
General	\$ -	\$ 2,587,043
Community Development Block Grant	3,273	
HOME Grant		3,273
Non-Major Funds:		
Gas Tax		1,800,000
Street	1,800,000	
2009 Street Improvements		708,333
Hawthorne Blvd Mobility Improvement Program	708,333	
Public Financing Authority	959,212	
2016 Refunding Bonds		796,318
CIEDB Police Facility Lease Obligation	1,443,880	
2005 PERS Obligation Bonds	707,149	
SBRPCA 2007 Series B Bond	273,120	
	<u>\$ 5,894,967</u>	<u>\$ 5,894,967</u>

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.

Transfer from Home to CDBG Fund to apply loan payment of \$3,273 to correct program.

Transfer of City's matching portion, in the amount of \$708,333, from 2009 Street Improvement Fund to the Hawthorne Blvd. Mobility Improvement Program will be reimbursed at completion of the project.

The transfer from the General Fund of \$2,587,043 and the 2016 Refunding Bond Fund of \$796,318 to non-major funds of \$3,383,361 was for the debt service on the 1997/2011 COP bonds in the amount of \$959,212, for the debt service on the Police facility bonds in the amount of \$1,443,880, for the debt service on the 2007 SBRCPA bonds in the amount of \$273,120, and 2005 PERS Obligation Bonds in the amount of \$707,149.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

5) LONG-TERM DEBT

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
Governmental Funds:					
Revenue bonds - 2011 Series A	\$ 4,798,114	\$ -	\$ (518,184)	\$ 4,279,930	\$ 540,077
SBRPCA 2007 Series B Bond	3,030,000	-	(135,000)	2,895,000	140,000
2005 Pension Obligation Bonds	18,030,000	-	(18,030,000)	-	-
2016 Certificates of Participation	-	30,115,000	-	30,115,000	1,540,000
Plus (less) deferred amounts:					
Issuance premium	697,929	1,688,741	(42,327)	2,344,343	369,010
Issuance discount	(69,549)	(118,969)	3,736	(184,782)	(8,498)
Total bonds payable	<u>26,486,494</u>	<u>31,684,772</u>	<u>(18,721,775)</u>	<u>39,449,491</u>	<u>2,580,589</u>
Compensated absences	3,936,486	3,741,944	(4,118,271)	3,560,159	712,032
Net pension liability	68,569,173	7,780,891	-	76,350,064	-
Other postemployment benefits obligation	15,709,698	8,902,000	(2,011,976)	22,599,722	-
Capital leases payable	22,219	-	(15,441)	6,778	6,778
Lease payable - police facility	14,309,657	-	(14,309,657)	-	-
Loan payable - West Basin	50,698	-	(7,007)	43,691	7,365
Section 108 loan payable	3,530,000	-	(355,000)	3,175,000	355,000
Total Governmental Funds	<u>132,614,425</u>	<u>52,109,607</u>	<u>(39,539,127)</u>	<u>145,184,905</u>	<u>3,661,764</u>
Internal Service Funds:					
Claims and judgements	3,485,672	-	(1,378,755)	2,106,917	421,383
Compensated absences	13,811	56,474	(48,855)	21,430	4,286
Net pension liability	1,393,897	146,885	-	1,540,782	-
Total Internal Service Funds	<u>4,893,380</u>	<u>203,359</u>	<u>(1,427,610)</u>	<u>3,669,129</u>	<u>425,669</u>
Total Governmental Activities	<u>\$ 137,507,805</u>	<u>\$ 52,312,966</u>	<u>\$ (40,966,737)</u>	<u>148,854,034</u>	<u>\$ 4,087,433</u>
Business-Type Activities:					
Compensated absences	\$ 126,091	\$ 59,448	\$ (118,724)	\$ 66,815	\$ 13,363
Net pension liability	1,386,637	110,951	-	1,497,588	-
Total Business-type Activities	<u>\$ 1,512,728</u>	<u>\$ 170,399</u>	<u>\$ (118,724)</u>	<u>\$ 1,564,403</u>	<u>\$ 13,363</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

5) LONG-TERM DEBT, (continued)

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,	Principal	Interest	Total
2017	\$ 540,077	\$ 182,539	\$ 722,616
2018	561,603	159,505	721,108
2019	582,744	135,552	718,296
2020	608,203	110,698	718,901
2021	633,172	84,758	717,930
2022-2023	1,354,131	72,500	1,426,631
Total	<u>\$ 4,279,930</u>	<u>\$ 745,552</u>	<u>\$ 5,025,482</u>

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 \$260,000. 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 as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 140,000	\$ 132,551	\$ 272,551
2018	145,000	126,671	271,671
2019	150,000	120,581	270,581
2020	160,000	114,206	274,206
2021	165,000	107,206	272,206
2022-2026	950,000	416,218	1,366,218
2027-2031	1,185,000	174,325	1,359,325
Total	<u>\$ 2,895,000</u>	<u>\$ 1,191,758</u>	<u>\$ 4,086,758</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

5) LONG-TERM DEBT, (continued)

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. The bonds were paid in full in 2016 as part of the 2016 Certificate of Participation Series A and Series B debt issuance.

2016 Certificate of Participation Series A and Series B

Series A Certificates

In May 2016, the City issued \$12,645,000 Series A Certificates of Participation to provide funds to (a) refinance the obligations of the city under a lease agreement by and between the California Infrastructure and Economic Development Bank and the City, executed in 2001 to finance the costs of construction of the City of Hawthorne Police Headquarters, (b) pay a portion of the costs of a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund for the Certificates and (c) pay delivery costs incurred in connection with the execution, delivery and sale of the Series A Certificates.

The Series A Certificates maturing on August 1, 2026, are not subject to optional redemption prior to maturity. The Series A Certificates maturing on and after August 1, 2027, are subject to optional redemption prior to maturity in whole or in part on any date in such order of maturity as shall be designated by the City (or, if the City shall fail to so designate the order of redemption, in pro rata among maturities) and by lot within a maturity, on or after August 1, 2026, at a redemption price equal to the principal amount of the Certificates to be redeemed, together with accrued interest, without premium, to the date fixed for redemption, from the proceeds of the optional prepayment of Series A Lease Payments made by the City pursuant to the Lease Agreement.

Series B Certificates

In May 2016, the City issued \$17,470,000 Series B Certificates of Participation to provide funds to (a) refinance the obligations with respect to the City of Hawthorne Pension Obligation Bonds, Series 2005, (b) pay a portion of the costs of the Reserve Policy and (c) pay delivery costs incurred in connection with the execution, delivery and sale of the Series B Certificates.

The Series B Certificates are not subject to optional redemption prior to maturity.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

5) LONG-TERM DEBT, (continued)

2016 Certificate of Participation Series A and Series B, (continued)

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$454,359, as follows:

<i>Reacquisition price:</i>			
Refunded debts		\$ 29,337,656	
Refunded interest		<u>454,359</u>	
			<u>\$ 29,792,015</u>
<i>Net carrying amount:</i>			
Lease payable - police facility		\$ (13,657,656)	
2005 Pension obligation bonds		<u>(15,680,000)</u>	
			<u>(29,337,656)</u>
			<u><u>\$ 454,359</u></u>

The difference is reported in the accompanying financial statements as a deferred gain on debt refunding and is being amortized through August 1, 2030 using the straight-line method of amortization.

As a result of the current refunding, the Corporation increased its debt service cash flow by \$3,034,072, resulting in an economic gain of \$376,577 (calculated as the difference between the debt service payments under the old and new debt discounted to present value using the effective interest rate).

The total debt service requirements to maturity as of June 30, 2016, are as follows:

Year Ending June 30,	Series A		Series B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ -	\$ 356,870	\$ 1,540,000	\$ 304,250	\$ 1,540,000	\$ 661,120
2018	-	505,800	1,280,000	414,629	1,280,000	920,429
2019	-	505,800	1,305,000	392,049	1,305,000	897,849
2020	-	505,800	1,330,000	366,066	1,330,000	871,866
2021	-	505,800	1,360,000	335,978	1,360,000	841,778
2022-2026	-	2,529,000	10,430,000	889,368	10,430,000	3,418,368
2027-2030	12,645,000	1,323,900	225,000	3,656	12,870,000	1,327,556
Total	<u>\$ 12,645,000</u>	<u>\$ 6,232,970</u>	<u>\$ 17,470,000</u>	<u>\$ 2,705,996</u>	<u>\$ 30,115,000</u>	<u>\$ 8,938,966</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

5) LONG-TERM DEBT, (continued)

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.

Net Pension Liability

The City's policies relating to the net pension liability are described in Note 8 of the Notes to Basic Financial Statements.

Other Postemployment Benefits Obligation

The City's policies relating to other post employment benefits are described in Note 9 of the Notes to Basic 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 year of future minimum lease payments under the capital lease agreement as of June 30, 2016:

Year Ending June 30	Amount
2017	\$ 9,529
Total Payments	9,529
Less: amount representing interest	2,751
Outstanding Principal, June 30, 2016	<u>\$ 6,778</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

5) 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 bonds were paid in full in 2016 as part of the 2016 Certificate of Participation Series A and Series B debt issuance.

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, 2016 was \$43,694. The total debt service requirements to maturity as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 7,365	\$ 2,117	\$ 9,482
2018	7,743	1,739	9,482
2019	8,139	1,343	9,482
2020	8,555	927	9,482
2021	8,993	489	9,482
2022	2,896	52	2,948
Total	<u>\$ 43,691</u>	<u>\$ 6,667</u>	<u>\$ 50,358</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

5) LONG-TERM DEBT, (continued)

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, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 355,000	\$ 173,991	\$ 528,991
2018	355,000	154,341	509,341
2019	355,000	134,337	489,337
2020	355,000	114,031	469,031
2021	355,000	93,494	448,494
2022-2024	1,400,000	165,394	1,565,394
Total	<u>\$ 3,175,000</u>	<u>\$ 835,588</u>	<u>\$ 4,010,588</u>

Claims and Judgments

As of June 30, 2016, 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, 2016, total estimated claims payable were \$2,106,917.

6) 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, 2016, the bonds outstanding from these Community Facility Districts totaled \$9,655,000.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

6) NON-CITY OBLIGATION DEBT - SPECIAL ASSESSMENT BONDS, (continued)

Assessment District Bonds, (continued)

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, 2016, the bonds outstanding from this Community Facility District totaled \$3,285,000.

On November 21, 2006, the City of Hawthorne issued the 2006 Special Tax Bonds totaling \$14,755,000 for its Community Facilities District No. 2006-1 (Three Sixty Degrees @ South Bay) to finance the acquisition of an easement and certain public facilities in the vicinity of the District. The bonds are payable solely from Special Tax Revenues levied upon the District. As of June 30, 2016, the bonds outstanding from this Community Facility District totaled \$12,635,000.

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, 2016, the Special Tax Refunding Bonds outstanding totaled \$3,200,000.

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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

7) NET POSITION CLASSIFICATIONS

Net position for governmental activities and business-type activities is classified as (1) net investment in capital assets, (2) restricted, (3) unrestricted. The details of the Net Position as of June 30, 2016 are presented below:

	Governmental Activities	Business-Type Activities	Total
Net Investment in Capital Assets:			
Capital assets, net of accumulated depreciation	\$ 125,811,179	\$ 10,443,914	\$ 136,255,093
Less capital related debt balances:			
Bonds payable	(23,769,491)	-	(23,769,491)
Capital leases payable	(6,778)	-	(6,778)
Loans payable	(3,218,691)	-	(3,218,691)
Total Net Investment in Capital Assets	98,816,219	10,443,914	109,260,133
Restricted for:			
Public works	5,821,832	-	5,821,832
Public safety	293,845	-	293,845
Capital improvements	4,428,834	-	4,428,834
Debt service	1,989,372	-	1,989,372
Community development	3,211,422	-	3,211,422
Total Restricted	15,745,305	-	15,745,305
Unrestricted	(104,694,912)	770,871	(103,924,041)
Total	\$ 9,866,612	\$ 11,214,785	\$ 21,081,397

8) RETIREMENT PLANS

Plan Descriptions

The Plans consist of an agent multiple-employer defined benefit pension plan (Miscellaneous Plan) and a public agency cost-sharing multiple-employer defined benefit pension plan (Safety Plan) administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the plan's June 30, 2014, Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

8) RETIREMENT PLANS, (continued)

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 5 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 plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS board.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 60	52 - 62
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	5.75%
Required employer contribution rates	24.464%	24.464%
	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	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	3.0%	2.0% to 2.7%
Required employee contribution rates	9.0%	12.25%
Required employer contribution rates	20.23%	20.23%

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

8) RETIREMENT PLANS, (continued)

Employees Covered

At June 30, 2014 (valuation date), the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	308	95
Inactive employees entitled to but not yet receiving benefits	297	-
Active employees	<u>186</u>	<u>89</u>
Total	<u><u>791</u></u>	<u><u>184</u></u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Employer Contributions to the Miscellaneous and Safety Plan's for the fiscal year ended June 30, 2016 were \$2,940,332 and \$3,638,229, respectively.

Notes to Basic Financial Statements
For the Year Ended June 30, 2016

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, 2015, using an annual actuarial valuation as of June 30, 2014 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 as follow:

Actuarial Assumptions

For measurement period ended June 30, 2015 (measurement date), the total pension liability in the June 30, 2015 actuarial valuations was determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%. For measurement date June 30, 2014, 7.50%.
Inflation	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.65%. For measurement date June 30, 2014, 7.50%.
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

8) RETIREMENT PLANS, (continued)

Net Pension Liability, (continued)

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability for measurement date June 30, 2015 was 7.65 percent. The discount rate used to measure the total pension liability in the previous year was 7.50 percent. 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 of the plan, the test revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website, at www.calpers.ca.gov.

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

8) RETIREMENT PLANS, (continued)

Net Pension Liability, (continued)

Discount Rate, (continued)

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. The target allocation shown was adopted by the CalPERS Board effective July 1, 2014.

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Year 11+²</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	<u>100.0%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

8) RETIREMENT PLANS, (continued)

Changes in the Net Pension Liability

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

Miscellaneous Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2014 (VD)	\$ 175,206,854	\$ 138,907,456	\$ 36,299,398
Changes Recognized for the Measurement Period:			
• Service Cost	2,320,007		2,320,007
• Interest on the Total Pension Liability	12,647,730		12,647,730
• Changes of Benefit Terms	-		-
• Changes of Assumptions	(3,045,664)		(3,045,664)
• Differences between Expected and Actual Experience	(3,637,760)		(3,637,760)
• Plan to Plan Resource Movement		(36,608)	36,608
• Contributions from the Employer		2,628,948	(2,628,948)
• Contributions from Employees		1,100,494	(1,100,494)
• Net Investment Income		3,019,296	(3,019,296)
• Benefit Payments, including Refunds of Employee Contributions	(8,707,272)	(8,707,272)	-
• Administrative Expense		(154,341)	154,341
Net Changes during 2014-15	(422,959)	(2,149,483)	1,726,524
Balance at: 6/30/2015 (MD)	\$ 174,783,895	\$ 136,757,973	\$ 38,025,922

Valuation Date (VD), Measurement Date (MD).

Notes to Basic Financial Statements
For the Year Ended June 30, 2016

8) RETIREMENT PLANS, (continued)

Proportionate Share of Net Pension Liability

Safety Plan

	Increase (Decrease)		
	Plan Total Pension	Plan Fiduciary Net	Plan Net Pension Liability
	Liability (a)	Position (b)	
			(c) = (a) - (b)
Balance at: 6/30/2014 (VD)	\$ 188,631,582	\$ 153,581,274	\$ 35,050,308
Balance at: 6/30/2015 (MD)	190,456,434	149,093,922	41,362,512
Net Changes during 2014-15	1,824,852	(4,487,352)	6,312,204

Valuation Date (VD), Measurement Date (MD).

The City's net pension liability for the cost sharing, multiple-employer Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at www.calpers.ca.gov. The City's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<u>Safety</u>
Proportionate Share of NPL - June 30, 2014	0.23422%
Proportionate Share of NPL - June 30, 2015	0.25032%
Change - Increase	0.01610%

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

The following presents the net pension liability of the Miscellaneous and Safety Plans as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan's Net Pension Liability	\$ 60,959,189	\$ 38,025,922	\$ 19,125,929
Safety Plan's Net Pension Liability	\$ 67,476,032	\$ 41,362,512	\$ 19,949,905

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

8) RETIREMENT PLANS, (continued)

Proportionate Share of Net Pension Liability, (continued)

Subsequent Events

On December 21, 2016, the California Public Employees' Retirement System (CalPERS) Board of Administration voted to lower the CalPERS discount rate from 7.5 percent to 7.0 percent over the next three years. The discount rate will change as follows:

- Fiscal year 2017-2018 7.375%
- Fiscal year 2018-2019 7.250%
- Fiscal year 2019-2020 7.000%

Lowering the discount rate, also known as the assumed rate of investment return, will lead to increases in an employer's normal cost for pension contributions and unfunded actuarial liabilities.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining services lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

8) RETIREMENT PLANS, (continued)

Proportionate Share of Net Pension Liability, (continued)

The EARSL for the Miscellaneous Plan for the June 30, 2015 measurement date is 2.3 years, which was obtained by dividing the total service years of 1,819 (the sum of remaining service lifetimes of the active employees) by 791 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the Safety Plan for the June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

Miscellaneous Plan

As of the start of the measurement period (July 1, 2014), the net pension liability for the miscellaneous plan was \$36,299,398.

For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense/(income) of \$(153,331) for the Miscellaneous Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,320,007
Interest on the Total Pension Liability	12,647,730
Recognized Changes of Assumptions	(1,324,202)
Differences Between Expected and Actual Experience	(1,581,635)
Plan to Plan Resource Movement	36,608
Contributions - Employees	(1,100,494)
Projected Earnings on Pension Plan Investments	(10,386,942)
Recognized Differences Between Projected and Actual Earnings on Plan Investments	(918,744)
Administrative Expenses	154,341
	<hr/>
Total Pension Expense	\$ (153,331)

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

8) RETIREMENT PLANS, (continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (continued)

Safety – Cost Sharing, Multiple-Employer Defined Benefit Pension Plan

As of the start of the measurement period (July 1, 2014), the net pension liability for the safety plan was \$35,050,308. For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense of \$3,827,775 for the safety plan.

As of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -	\$ -	\$ (380,829)
Changes of Assumptions	-	(1,721,462)	-	(1,751,573)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(1,282,704)	-	(887,708)
Change in Employer's Proportion	-	-	-	(524,572)
Difference in Actual vs Projected Contributions	-	(2,056,125)	-	(2,392,239)
Pension Contributions Subsequent to Measurement Date	2,940,332	-	3,638,229	-
	\$ 2,940,332	\$ (5,060,291)	\$ 3,638,229	\$ (5,936,921)

These amounts above are net of outflows and inflow recognized in the 2014-15 measurement period expense. \$2,940,332 and \$3,638,229 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended	Deferred Outflows/(Inflows) of Resources, Net	
	Miscellaneous	Safety
June 30,		
2016	\$ (3,824,581)	\$ (2,778,866)
2017	(1,790,494)	(2,727,221)
2018	(918,746)	(2,193,191)
2019	1,473,530	1,762,357
2020	-	-
Thereafter	-	-

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

8) RETIREMENT PLANS, (continued)

Payable to the Pension Plan

At June 30, 2016, the City's reported a payable of \$0 for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

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.

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

9) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, (continued)

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 2015-2016, the annual required contribution (ARC) was \$9,068,000, 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 2015-2016, the City paid \$2,011,976 for other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 9,068,000
Interest on net OPEB obligation	607,000
Adjustments to annual required contribution	<u>(773,000)</u>
Annual OPEB cost (expense)	8,902,000
Contributions made	<u>(2,011,976)</u>
Increase in net OPEB obligation	6,890,024
Net OPEB obligation - beginning of year	<u>15,709,698</u>
Net OPEB obligation - end of year	<u><u>\$ 22,599,722</u></u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

9) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2016 and the two preceding years were as follows:

THREE YEAR TREND INFORMATION FOR CRHP			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 3,886,898	50.83%	\$ 9,201,127
6/30/2015	8,402,000	22.54%	15,709,698
6/30/2016	8,902,000	22.60%	22,599,722

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

9) OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS, (continued)

Funded Status and Funding Progress (Continued)

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.

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
Actuarial Value Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	103,720,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	20,404,000
UAAL as a Percentage of Covered Payroll	508.33%

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 cost method used for determining the benefit obligations is as follows:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	27 Years as of the Valuation Date
Actuarial Assumptions:	
Investment Rate of Return	4.00%
Projected Salary Increase	3.25%
Health Care Trend Rate*	7.50%
Inflation Rate	3.00%

* 7.50% initially, reduced by increments of .05% per year to an ultimate rate of 5% after the 5th year.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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.

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 \$2,106,917 reported in the Insurance Reserve Fund at June 30, 2016, 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 2016 and 2015, were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payment</u>	<u>Ending Balances</u>
2014-2015	\$ 3,485,672	\$ -	\$ -	\$ 3,485,672
2015-2016	3,485,672	(134,023)	(1,244,732)	2,106,917

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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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 2015-2016, the City was assessed \$3,372,965, which was paid to SBRPCA for the operations and maintenance of the consolidated regional public safety services communications system that SBRPCA provides to its member cities.

As of and for the year ended June 30, 2016, SBRPCA's audited financial information is as follows:

Net Position	
Total assets	\$ 12,398,888
Total deferred outflows of resources	588,074
Total liabilities	7,554,158
Total deferred inflows of resources	<u>861,260</u>
Total net position	<u>\$ 4,571,544</u>
Change in Net Position	
Operating revenues	\$ 10,330,995
Operating expenses	<u>9,581,298</u>
Operating income	749,697
Nonoperating revenues (expenses)	<u>(637,617)</u>
Change in net position	112,080
Beginning net position	<u>4,459,464</u>
Ending net position	<u>\$ 4,571,544</u>

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

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

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

13) DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The City recognizes deferred outflows of resources in the City's financial statements pertaining to the unamortized loss on defeasance of debt and pension contributions made subsequent to the measurement date. The unamortized loss on defeasance of debt is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

	Governmental Activities Balance at June 30, 2016
Deferred outflow of resources	
Unamortized loss on defeasance of debt	\$ 529,291

The deferred inflows 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 at June 30, 2016
Deferred inflow of resources	
Unavailable Revenue - Receivables that were not received within the availability period and were not recognized as revenues	\$ 9,683,652

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

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

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, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Tax allocation bonds	\$ 36,835,000	\$ 29,785,000	\$ (35,030,000)	\$ 31,590,000	\$ 2,160,000
Plus deferred amounts:					
Issuance premium	-	5,216,101	-	5,216,101	260,805
Total bonds payable	<u>36,835,000</u>	<u>35,001,101</u>	<u>(35,030,000)</u>	<u>36,806,101</u>	<u>2,420,805</u>
Notes payable	<u>28,031,438</u>	<u>1,125,000</u>	<u>(445,000)</u>	<u>28,711,438</u>	<u>-</u>
	<u>\$ 64,866,438</u>	<u>\$ 36,126,101</u>	<u>\$ (35,475,000)</u>	<u>\$ 65,517,539</u>	<u>\$ 2,420,805</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

14) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Disclosure of Successor Agency Debts, (continued)

	Balance at June 30, 2016
Tax Allocation Bonds	
Hawthorne Plaza Project Area No. 1:	
<u>2001 Tax Allocation Refunding Bonds</u>	
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.	<u>\$ 1,805,000</u>
Subtotal Hawthorne Plaza Project Area No. 1	<u>1,805,000</u>
Redevelopment Project Area 2:	
<u>2016 Tax Allocation Bonds</u>	
2016 Project Area No. 2 Tax Allocations Bonds, Series 2016 was issued to (a) refund certain outstanding bonds issued by the former Community Redevelopment Agency of the City of Hawthorne (the "Former Agency"), the proceeds of which were used to finance and refinance redevelopment activities of the Former Agency, (b) purchase a municipal bond insurance policy in lieu of funding a debt service reserve fund for the Bonds, and (c) provide for the costs of issuing the Bonds. The Bonds are payable from and secured by a first lien on the Tax Revenues, as defined in the Indenture, and moneys in certain funds and accounts established under the Indenture. The bonds consist of \$29,785,000 serial bonds with an annual maturity dates from September 1, 2016 through September 1, 2036, bearing interest ranging from 2.00% to 5.00%.	<u>29,785,000</u>
Subtotal Redevelopment Project Area 2:	<u>29,785,000</u>
Total Tax Allocation Bonds Payable	<u><u>\$ 31,590,000</u></u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

14) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Disclosure of Successor Agency Debts (Continued)

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,430,043, as follows:

<i>Reacquisition price:</i>		
Refunded bonds		<u>\$ 34,810,043</u>
<i>Net carrying amount:</i>		
1998 Tax Allocation Refunding Bonds	\$ (5,015,000)	
1998 Tax Allocation Refunding Bonds	(2,505,000)	
1998 Tax Allocation Bonds	<u>(25,860,000)</u>	
		<u>(33,380,000)</u>
		<u><u>\$ 1,430,043</u></u>

The difference is reported in the accompanying financial statements as a deferred gain on debt refunding and is being amortized through September 1, 2036 using the straight-line method of amortization.

As a result of the current refunding, the City decreased its debt service cash flow by \$11,973,815, resulting in an economic loss of \$4,764,522 (calculated as the difference between the debt service payments under the old and new debt discounted to present value using the effective interest rate).

Debt Service Requirements to Maturity

The following schedule summarizes the debt service to maturity requirements for bonds outstanding as of June 30, 2016:

2001 Tax Allocation Refunding Bonds

Year Ending June 30,	Principal	Interest	Total
2017	\$ 315,000	\$ 124,094	\$ 439,094
2018	335,000	102,438	437,438
2019	360,000	79,406	439,406
2020	385,000	54,656	439,656
2021	<u>410,000</u>	<u>28,188</u>	<u>438,188</u>
Total	<u>\$ 1,805,000</u>	<u>\$ 388,781</u>	<u>\$ 2,193,781</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

14) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

Disclosure of Successor Agency Debts (Continued)

Debt Service Requirements to Maturity (Continued)

2016 Tax Allocation Bonds

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,845,000	\$ 1,517,798	\$ 3,362,798
2018	1,305,000	1,344,250	2,649,250
2019	1,360,000	1,290,950	2,650,950
2020	1,415,000	1,228,375	2,643,375
2021	1,495,000	1,155,625	2,650,625
2022 - 2026	7,720,000	4,576,500	12,296,500
2027 - 2031	5,695,000	2,977,125	8,672,125
2032 - 2036	7,270,000	1,363,750	8,633,750
2037	1,680,000	42,000	1,722,000
Total	<u>\$ 29,785,000</u>	<u>\$ 15,496,373</u>	<u>\$ 45,281,373</u>

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.

\$ 28,731,438

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

14) SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, (continued)

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.

15) OTHER REQUIRED DISCLOSURES

Deficit in Fund Equity

The following funds have deficits in fund balance or net position at June 30, 2016:

Fund	Amount
Major Governmental Fund:	
Special Revenue Fund:	
Community Development Block Grant	\$ (310,899)
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Street Lighting	(32,346)
California Office of Traffic Safety	(69,629)
Urban Area Security Initiative Grant	(152,108)
Edward Byrne Memorial Justice Assistance Program	(3,552)
Hawthorne Blvd Mobility Improvement Program	(573,532)
Sustainable Community Planning Grant	(34,520)
Debt Service Fund:	
2016 Refunding Bonds	(695,181)
Internal Service Fund:	
Insurance Reserve	(3,887,420)

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

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

16) PRIOR PERIOD RESTATEMENT

Fund Statements

During fiscal year 2015-16, prior period adjustments were needed to correct the beginning fund balance in the following funds. The amount of adjustments affecting the cumulative results of operations was due to error occurred in fiscal year 2014-15.

General Fund:

Fund balance, beginning, as previously reported	\$ 16,070,500
Prior period adjustment	<u>(101,376)</u>
Fund balance, beginning, as restated	<u>\$ 15,969,124</u>

A prior period adjustment of a net effect of \$101,376, comprised of purchase order variances, inventory adjustments, and income variances from prior year, was needed to correct the beginning balance in the General Fund.

Special Revenue Funds:

Hawthorne Housing Authority

Fund balance, beginning, as previously reported	\$ 523,576
Prior period adjustment	<u>13,768</u>
Fund balance, beginning, as restated	<u>\$ 537,344</u>

Housing Asset

Fund balance, beginning, as previously reported	\$ 1,578,654
Prior period adjustment	<u>(131,795)</u>
Fund balance, beginning, as restated	<u>\$ 1,446,859</u>

CATV Peg Fund

Fund balance, beginning, as previously reported	\$ -
Prior period adjustment	<u>53,033</u>
Fund balance, beginning, as restated	<u>\$ 53,033</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2016

16) PRIOR PERIOD RESTATEMENT, (continued)

Special Revenue Funds, (Continued)

A prior period adjustment was necessary to report income variance in the Hawthorne Housing Authority and expenditure variance in the Housing Asset Funds.

The CATV fund was inadvertently reported within the Agency Fund.

Proprietary Funds:

Insurance Reserve Internal Service Fund

Net position - beginning, as previously reported	\$ (7,216,150)
Prior period adjustment	<u>101,376</u>
Net position - beginning, as restated	<u><u>\$ (7,114,774)</u></u>

Beginning fund balance adjustment between this fund and the general fund.

Government Wide Statements

Governmental Activities:

Net position - beginning, as previously reported	\$ 11,270,396
Prior period adjustment	<u>351,680</u>
Net position - beginning, as restated	<u><u>\$ 11,622,076</u></u>

Business-Type Activities:

Net position - beginning, as previously reported	\$ 10,315,570
Prior period adjustment	<u>325,940</u>
Net position - beginning, as restated	<u><u>\$ 10,641,510</u></u>

The prior period adjustments for Governmental Statements are comprised of adjustments to Government funds, and moving entire amount of Internal Service Fund allocation to Business Type Activities \$325,940 from Government Wide statements.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2016**

17) SUBSEQUENT EVENTS

On December 21, 2016, the California Public Employees' Retirement System (CalPERS) Board of Administration voted to lower the CalPERS discount rate from 7.5 percent to 7.0 percent over the next three years. The discount rate will change as follows:

- Fiscal year 2017-2018 7.375%
- Fiscal year 2018-2019 7.250%
- Fiscal year 2019-2020 7.000%

Lowering the discount rate, also known as the assumed rate of investment return, will lead to increases in an employer's normal cost for pension contributions and unfunded actuarial liabilities.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**Required Supplementary Information
General Fund**

Major Governmental Funds

The General Fund is used to account for financial resources traditionally associated with general government operations, which are not required legally or by financial management to be accounted for in another fund.

City of Hawthorne

Budgetary Comparison Schedule by Department General Fund For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 49,778,224	\$ 49,778,224	\$ 50,966,402	\$ 1,188,178
Licenses and permits	1,849,362	1,849,362	1,782,276	(67,086)
Intergovernmental	1,163,912	1,163,912	1,166,471	2,559
Charges for services	1,974,560	2,072,713	2,273,419	200,706
Fines and forfeitures	2,575,000	2,575,000	2,986,953	411,953
Use of money and property	20,000	20,000	38,197	18,197
Contributions	140,000	140,000	140,713	713
Miscellaneous	991,000	991,000	1,187,989	196,989
Total revenues	<u>58,492,058</u>	<u>58,590,211</u>	<u>60,542,420</u>	<u>1,952,209</u>
Expenditures				
Current:				
General government				
Mayor and city council	5,340,691	5,768,825	7,267,389	(1,498,564)
City clerk	247,950	247,950	250,125	(2,175)
City Manager	454,833	600,402	532,267	68,135
City treasurer	31,617	31,617	29,576	2,041
City attorney	216,060	253,015	231,606	21,409
Administrative services	1,207,340	1,276,463	1,152,482	123,981
Public safety				
Police	32,777,036	32,672,020	32,704,246	(32,226)
Fire services contract	9,712,020	9,637,520	9,368,425	269,095
Public works	2,432,876	2,770,831	2,384,659	386,172
Community development				
Planning	1,338,052	1,396,719	1,397,390	(671)
Building and safety	939,051	939,051	897,130	41,921
Parks and recreation	3,475,887	3,613,437	3,467,866	145,571
Capital outlay	314,950	308,882	260,530	48,352
Total expenditures	<u>58,488,363</u>	<u>59,516,732</u>	<u>59,943,691</u>	<u>(426,959)</u>
Excess of revenues (deficiency) over (under) expenditures	<u>3,695</u>	<u>(926,521)</u>	<u>598,729</u>	<u>1,525,250</u>
Other Financing Sources (Uses)				
Transfers out	-	(2,586,796)	(2,587,043)	(247)
Total other financing sources (uses)	<u>-</u>	<u>(2,586,796)</u>	<u>(2,587,043)</u>	<u>(247)</u>
Net change in fund balance	3,695	(3,513,317)	(1,988,314)	1,525,003
Fund balance, beginning of year, as restated	<u>15,969,124</u>	<u>15,969,124</u>	<u>15,969,124</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,972,819</u>	<u>\$ 12,455,807</u>	<u>\$ 13,980,810</u>	<u>\$ 1,525,003</u>

**Required Supplementary Information
Major Special Revenue Funds**

Major Special Revenue Funds

The Hawthorne Housing Authority Fund is used to account for the housing assistance programs for the qualified low-income residents.

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

The Community Development Block Grant Fund is used to account for Federal grants received from the Department of Housing and Urban Development (HUD). Grant activity is administered by the Community Development Department and is predominantly restricted to activities in 'target areas'.

The HOME Grant Fund is used to account for HOME Fund grants received from the U.S. Department of Housing & Urban Development. These funds are to be used predominantly to aid low & moderate income residents with their housing needs.

City of Hawthorne

**Budgetary Comparison Schedule
Hawthorne Affordable Housing
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 13,316,428	\$ 13,316,428	\$ 9,247,199	\$ (4,069,229)
Use of money and property	-	-	75	75
Miscellaneous	10,000	10,000	13,732	3,732
Total revenues	<u>13,326,428</u>	<u>13,326,428</u>	<u>9,261,006</u>	<u>(4,065,422)</u>
Expenditures				
Current:				
Community development	<u>13,228,326</u>	<u>13,228,326</u>	<u>9,179,445</u>	<u>4,048,881</u>
Total expenditures	<u>13,228,326</u>	<u>13,228,326</u>	<u>9,179,445</u>	<u>4,048,881</u>
Net change in fund balance	98,102	98,102	81,561	(16,541)
Fund balance, beginning, as restated	<u>537,344</u>	<u>537,344</u>	<u>537,344</u>	<u>-</u>
Fund balance, ending	<u>\$ 635,446</u>	<u>\$ 635,446</u>	<u>\$ 618,905</u>	<u>\$ (16,541)</u>

City of Hawthorne

**Budgetary Comparison Schedule
Housing Asset
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 10,000	\$ 10,000	\$ 680,620	\$ 670,620
Use of money and property	375,252	375,252	353,137	(22,115)
Miscellaneous	-	-	908	908
Total revenues	<u>385,252</u>	<u>385,252</u>	<u>1,034,665</u>	<u>649,413</u>
Expenditures				
Current:				
Community development	395,707	395,707	220,612	175,095
Total expenditures	<u>395,707</u>	<u>395,707</u>	<u>220,612</u>	<u>175,095</u>
Net change in fund balance	(10,455)	(10,455)	814,053	824,508
Fund balance, beginning, as restated	<u>1,446,859</u>	<u>1,446,859</u>	<u>1,446,859</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,436,404</u>	<u>\$ 1,436,404</u>	<u>\$ 2,260,912</u>	<u>\$ 824,508</u>

City of Hawthorne

**Budgetary Comparison Schedule
Community Development Block Grant
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,154,346	\$ 1,154,346	\$ 855,375	\$ (298,971)
Total revenues	<u>1,154,346</u>	<u>1,154,346</u>	<u>855,375</u>	<u>(298,971)</u>
Expenditures				
Current:				
Community development	584,346	584,346	458,891	125,455
Debt service:				
Principal retirement	355,000	355,000	355,000	-
Interest and fiscal charges	<u>215,000</u>	<u>215,000</u>	<u>41,484</u>	<u>173,516</u>
Total expenditures	<u>1,154,346</u>	<u>1,154,346</u>	<u>855,375</u>	<u>298,971</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources				
Transfers in	<u>-</u>	<u>-</u>	<u>3,273</u>	<u>3,273</u>
Net change in fund balance	-	-	3,273	3,273
Fund balance (deficit), beginning	<u>(314,172)</u>	<u>(314,172)</u>	<u>(314,172)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (314,172)</u>	<u>\$ (314,172)</u>	<u>\$ (310,899)</u>	<u>\$ 3,273</u>

City of Hawthorne

**Budgetary Comparison Schedule
HOME Grant
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 712,309	\$ 712,309	\$ 256,825	\$ (455,484)
Use of money and property	-	-	50,000	50,000
Total revenues	<u>712,309</u>	<u>712,309</u>	<u>306,825</u>	<u>(405,484)</u>
Expenditures				
Current:				
Community development	712,309	712,309	226,825	485,484
Total expenditures	<u>712,309</u>	<u>712,309</u>	<u>226,825</u>	<u>485,484</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>80,000</u>	<u>80,000</u>
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(3,273)</u>	<u>(3,273)</u>
Net change in fund balance	-	-	76,727	76,727
Fund balance , beginning	<u>21,267</u>	<u>21,267</u>	<u>21,267</u>	<u>-</u>
Fund balance , ending	<u>\$ 21,267</u>	<u>\$ 21,267</u>	<u>\$ 97,994</u>	<u>\$ 76,727</u>

City of Hawthorne

Required Supplementary Information Schedule of Changes in Net Pension Liability and Related Ratios Last Ten Years*

Miscellaneous Plan

Measurement Period	<u>2013-14</u>	<u>2014-15</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 2,388,303	\$ 2,320,007
Interest	12,438,551	12,647,730
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	-	(3,637,760)
Changes of Assumptions	-	(3,045,664)
Benefit Payments, Including Refunds of Employee Contributions	<u>(8,546,377)</u>	<u>(8,707,272)</u>
Net Change in Total Pension Liability	6,280,477	(422,959)
Total Pension Liability - Beginning	168,926,377	175,206,854
Total Pension Liability - Ending (a)	<u>\$ 175,206,854</u>	<u>\$ 174,783,895</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 2,197,052	\$ 2,628,948
Contributions - Employee Paid Member Contributions	-	-
Contributions - Employee	1,118,891	1,100,494
Net Investment Income ¹	20,960,975	3,019,296
Benefit Payments, Including Refunds of Employee Contributions	(8,546,377)	(8,707,272)
Plan to Plan Resource Movement	-	(36,608)
Administrative Expenses	<u>-</u>	<u>(154,341)</u>
Net Change in Fiduciary Net Position	15,730,541	(2,149,483)
Plan Fiduciary Net Position - Beginning	123,176,915	138,907,456
Plan Fiduciary Net Position - Ending (b)	<u>\$ 138,907,456</u>	<u>\$ 136,757,973</u>
Plan Net Position Liability - Ending (a) - (b)	<u>\$ 36,299,398</u>	<u>\$ 38,025,922</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.28%	78.24%
Covered Payroll	\$ 12,173,173	13,000,397
Plan Net Pension Liability as a Percentage of Covered Payroll	298.19%	292.50%

¹ Net of administrative expenses.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation, therefore, only two years are presented.

Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent for the 6/30/15 measurement date.

City of Hawthorne

Required Supplementary Information Schedule of Plan Contributions – Agent Plan Last Ten Years*

Miscellaneous Plan

	Fiscal Year 2014-15	Fiscal Year 2015-16
Measurement Period		
Actuarially Determined Contribution	\$ 2,197,052	\$ 2,940,332
Contributions in Relation to the Actuarially Determined Contribution	(2,197,052)	(2,940,332)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 13,000,397	\$ 13,145,259
Contributions as a Percentage of Covered Payroll	16.90%	22.37%

* Fiscal year 2014-15 was the first year of implementation, therefore, only two years are presented.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses; includes Inflation. For 2014-15, 7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

City of Hawthorne

Required Supplementary Information Schedule of City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date Last Ten Years*

Safety Plan

	Measurement Date 6/30/2014	Measurement Date 6/30/2015
Employer's Proportion of the Collective Net Pension Liability ¹	0.56329%	1.00384%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 35,050,308	\$ 41,362,512
Employer's Covered Payroll ²	\$ 9,859,032	\$ 9,229,395
Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Employer's Covered Payroll	355.51%	448.16%
Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	81.42%	78.28%

¹ Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

² Covered Payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation, therefore, only two years are presented.

City of Hawthorne

Required Supplementary Information Schedule of Plan Contributions – Cost Sharing Plan Last Ten Years*

Safety Plan

Measurement Period	Fiscal Year 2014-15	Fiscal Year 2015-16
Actuarially Determined Contribution	\$ 2,714,348	\$ 3,638,229
Contributions in Relation to the Actuarially Determined Contribution	(2,714,348)	(3,638,229)
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll ¹	\$ 9,229,395	\$ 8,569,976
Contributions as a Percentage of Covered Payroll ¹	29.41%	42.45%

¹ Covered Payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Fiscal year 2014-15 was the first year of implementation, therefore, only two years are presented.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expenses) to 7.65 percent to correct for an adjustment to exclude administrative expenses.

City of Hawthorne

Required Supplementary Information Schedule of Funding Progress Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/c]
3/1/2009	\$ -	\$ 44,113,659	\$ 44,113,659	0.00%	\$ 21,379,856	206.33%
6/1/2013	-	49,687,089	49,687,089	0.00%	21,621,745	229.80%
6/1/2015	-	103,720,000	103,720,000	0.00%	20,404,000	508.33%

City of Hawthorne

Notes to Required Supplementary Information June 30, 2016

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.

Budgets for all governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for the General Special Revenue, Capital Project and Debt Service Funds, with the exception of the American Down Payment Dream Program, HPRP, Hawthorne Blvd. Mobility Improvement Program, and Homeland Security Treasury Forfeiture Special Revenue Funds.

Excess of Expenditures over Appropriations

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

Fund	Appropriations	Expenditures	Excess
Major Governmental Fund			
General Fund:			
General government			
Mayor and city council	\$ 5,768,825	\$ 7,267,389	\$ (1,498,564)
City clerk	247,950	250,125	(2,175)
Public safety			
Police	32,672,020	32,704,246	(32,226)
Community development			
Planning	1,396,719	1,397,390	(671)
Nonmajor Governmental Funds			
Special Revenue Funds			
Street Lighting:			
Public Works	704,164	756,014	(51,850)
Gas Tax:			
Public Works	487,716	529,682	(41,966)
Asset Forfeiture:			
Public Safety	525,839	678,071	(152,232)
Local Law Enforcement Block Grant:			
Public Safety	-	38,570	(38,570)
Proposition C			
Capital outlay	55,000	59,950	(4,950)
Debt Service Funds			
Public Financing Authority			
General government	6,904	7,324	(420)
Principal retirement	510,000	518,184	(8,184)
2009 PERS Obligation Fund			
Interest and fiscal charges	845,784	849,828	(4,044)

SUPPLEMENTARY INFORMATION

City of Hawthorne

Non-Major Governmental Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The Street Lighting Fund is used to account for the cost of providing lighting and intersection safety lighting on all City streets. The Engineering Division provides engineering and administration for the street lighting assessment district.

The Gas Tax Fund is used to account for the City's share of revenues derived from the State Highway Users Tax Account Sections 2105, 2106, 2107 and 2107.5. Gasoline taxes must be used for maintenance and improvement of City streets, which serve as State and County thoroughfares.

The Street Fund is used to account for all related revenues and expenditures, including street repair, reconstruction and maintenance, which are not required to be accounted for in the City's State Gas Tax Fund.

The Asset Forfeiture Fund is used to account for all revenues and expenditures related to monies and property seized by the Police Department in drug related incidents. These funds may only be expended on activities used to enhance law enforcement activities.

The Cops Funds is used to account for money appropriated statewide and to be used for the supplemental funding of front line law enforcement. These services include personnel, equipment, and programs that meet front line law enforcement objectives.

The California Office of Traffic Safety Fund is used to assist in offsetting the personnel costs for the Sobriety Checkpoint Program and the Seat Belt Compliance Program.

The Local Law Enforcement Block Grant Fund is used to account for both Federal (90%) and City (10%) funds. This program allows for local law enforcement to provide equipment, technology and other materials directly related to law enforcement functions.

The Urban Area Security Initiative Grant Fund is used to account for financial assistance provided by the U.S. Department of Homeland Security for the purpose of addressing the unique equipment, training, planning, organization, and exercise needs of large urban areas, and to assist them in building an enhanced and sustainable capacity to prevent, respond to, and recover from threats or acts of terrorism.

The MTA Measure R Fund is an ongoing maintenance and Capital Improvement Transportation Fund.

The Prop A Fund is used to account for revenues are received by the State; funneled to the City through the Los Angeles County Metropolitan Transit Authority. The City uses these funds for Dial-A-Ride, Recreational Transit and Bus Stop Maintenance. Excess of these funds are traded with other Los Angeles County municipalities for General Funds.

Non-Major Governmental Funds, Continued)

Special Revenue Funds, (continued)

The Proposition C Fund is used to account for a second half-cent sales tax approved by the voters, the proceeds of which are used to improve transit service and operations, reduce traffic congestion, improve air quality and efficiently operate and improve the condition of streets and highways utilized by public transit.

The Air Quality Fund is used to support the South Coast Air Quality Management District's (SCAQMD) imposition of an additional vehicle registration fee and to receive fee revenues for implementing programs to reduce air pollution from motor vehicles.

The American Down Payment Dream Program Fund is used to account for transactions related to the American Down Payment Program. The aim of the program is to help first-time homebuyers with mortgage down payments and closing costs.

The California Used Oil Recycling Fund is used to account for all the revenues and expenditures associated with grant funds received from the State Integrated Waste Management Board to promote the recycling of used motor oil.

The 2009 Street Improvements Fund is used to account for the City's roadway improvement projects from street and intersection widening to pavement rehabilitations/reconstructions, upgrade or replacement of traffic signals, improvement of street grading and drainage and concrete improvement including ADA accessibility as well as sidewalks and curbs/gutters throughout the City. Funding for such projects are varied and usually received through competitive grants based on availability.

The HPRP Funds is used to account for transactions related to the Homeless Prevention and Rapid Re-housing Program. The aim of the program is to assist homeless households and those at risk of homelessness.

The Edward Byrne Memorial Justice Assistance Program Fund is used to account for financial assistance provided to local law enforcement's agencies to expand efforts in addressing alcohol-related problems.

The Hawthorne Blvd Mobility Improvement Program Fund is used account for the project that will improve the stormdrain system along Hawthorne Blvd., between El Segundo Blvd. and Rosecrans Ave. to eliminate local flooding and will install large infiltration chambers in three preselected areas under center medians for diverting runoff from Dominguez Channel to underground water supply. All traffic signals will be replaced and upgraded throughout the project limits and a new traffic signal will be constructed at the intersection of Hawthorne Blvd. and 141st Street. All center medians will be completely reconstructed with new designs to accommodate new dedicated left turn pockets and as result, entire landscape areas will be replaced with newly designed landscape and irrigation systems. New trees will be planted. 105,000 square feet of new sidewalks and entire pavement structural system will be replaced throughout the project limits.

Non-Major Governmental Funds, Continued)

Special Revenue Funds, (continued)

The Sustainable Community Planning Grant Fund is used to account for planning grants and planning incentives that reduce the energy consumption, conserve water, improve air and water quality and provide other community benefits.

The CATV Peg Fund is used to account for monies received from the City's cable television franchisee.

The Homeland Security/Treasury Forfeiture Fund is used to account for Homeland Security/Treasury funds.

Debt Service Funds

Debt service funds are used to account for debt service transactions including revenue collection and payments of principal and interest on long-term obligations.

The Public Financing Authority Fund is used to account for debt issued for the purpose of financing capital improvements throughout the City. In 1992, the Authority issued \$10 million in Certificates of Participation to provide financing for acquisitions, construction, and improvements within the City. In 1997, these certificates were refunded by the 1997 Certificate of Participation. Funds are transferred from the General Fund to make the debt service payments.

The 2016 Refunding Bonds is used to account for the debt service on the 2016 Certificate of Participation Series A and Series B bonds.

The CIEDB Police Facility Lease Obligation Fund is used to account for the debt service repayments on said loan. Funding for the debt service repayments are via General Fund operating transfers.

The 2005 PERS Obligation Bonds Fund was used to account for the debt service on the 2005 PERS Obligation Bonds. The fund was closed in fiscal year 2015-16 when the bonds were paid in full as part of the 2016 Certificate of Participation Series A and Series B debt issuance.

The SBRPCA 2007 Series B Bond Fund is used to account for the debt service on the 2007 Series B bonds.

Non-Major Governmental Funds, Continued)

Capital Projects Fund

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The Development Impact Fund is used to account for impact fees imposed on all developments within the City boundaries. These fees are used to defray the costs associated with infrastructure improvements due to new developments. This fund accounts for both the collection and expenditures of the Development Impact Fees.

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016**

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
ASSETS				
Cash and investments	\$ 1,255	\$ 690,801	\$ 1,047,676	\$ 1,516,911
Cash with fiscal agent	-	-	-	-
Receivables:				
Accounts	-	-	4,601	14,449
Taxes	13,996	-	4,667	-
Notes and loans	-	-	-	-
Interest	7	218	303	-
Advances to other funds	-	-	196,423	11,922
Total assets	<u>\$ 15,258</u>	<u>\$ 691,019</u>	<u>\$ 1,253,670</u>	<u>\$ 1,543,282</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 47,604	\$ 190,790	\$ 62,963	\$ 39,648
Accrued liabilities	-	-	-	-
Unearned revenue	-	-	-	1,406,994
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>47,604</u>	<u>190,790</u>	<u>62,963</u>	<u>1,446,642</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficits):				
Nonspendable	-	-	196,423	11,922
Restricted	-	500,229	994,284	84,718
Unassigned	(32,346)	-	-	-
Total fund balances	<u>(32,346)</u>	<u>500,229</u>	<u>1,190,707</u>	<u>96,640</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,258</u>	<u>\$ 691,019</u>	<u>\$ 1,253,670</u>	<u>\$ 1,543,282</u>

Special Revenue Funds

COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	Urban Area Security Initiative Grant	MTA Measure R	Proposition A
\$ 186,791	\$ -	\$ 10,886	\$ -	\$ 1,129,200	\$ 474,987
-	-	-	-	-	-
-	39,212	-	156,345	-	-
-	-	-	-	-	-
-	-	-	-	-	-
58	-	3	-	301	129
-	-	-	-	8,080	-
<u>\$ 186,849</u>	<u>\$ 39,212</u>	<u>\$ 10,889</u>	<u>\$ 156,345</u>	<u>\$ 1,137,581</u>	<u>\$ 475,116</u>
\$ -	\$ 353	\$ -	128,506	\$ -	\$ 141,426
-	30	533	-	(326)	-
-	-	-	-	-	-
-	69,246	-	27,839	-	-
-	-	-	-	-	-
<u>-</u>	<u>69,629</u>	<u>533</u>	<u>156,345</u>	<u>(326)</u>	<u>141,426</u>
<u>-</u>	<u>39,212</u>	<u>-</u>	<u>152,108</u>	<u>-</u>	<u>-</u>
-	-	-	-	8,080	-
186,849	-	10,356	-	1,129,827	333,690
-	(69,629)	-	(152,108)	-	-
<u>186,849</u>	<u>(69,629)</u>	<u>10,356</u>	<u>(152,108)</u>	<u>1,137,907</u>	<u>333,690</u>
<u>\$ 186,849</u>	<u>\$ 39,212</u>	<u>\$ 10,889</u>	<u>\$ 156,345</u>	<u>\$ 1,137,581</u>	<u>\$ 475,116</u>

City of Hawthorne

**Combining Balance Sheet, (continued)
Non-Major Governmental Funds
June 30, 2016**

	Special Revenue Funds			
	Proposition C	Air Quality	American Down Payment Dream Program	California Used Oil Recycling
ASSETS				
Cash and investments	\$ 1,271,597	\$ 186,075	\$ -	\$ 105,821
Cash with fiscal agent	-	-	-	-
Receivables:				
Accounts	-	29,991	-	-
Taxes	-	-	-	-
Notes and loans	-	-	15,600	-
Interest	349	52	-	30
Advances to other funds	14,707	-	-	-
Total assets	<u>\$ 1,286,653</u>	<u>\$ 216,118</u>	<u>\$ 15,600</u>	<u>\$ 105,851</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 180	\$ -	\$ 1,322
Accrued liabilities	(274)	-	-	-
Unearned revenue	-	-	-	86,856
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>(274)</u>	<u>180</u>	<u>-</u>	<u>88,178</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	15,600	-
Fund Balances (Deficits):				
Nonspendable	14,707	-	-	-
Restricted	1,272,220	215,938	-	17,673
Unassigned	-	-	-	-
Total fund balances	<u>1,286,927</u>	<u>215,938</u>	<u>-</u>	<u>17,673</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,286,653</u>	<u>\$ 216,118</u>	<u>\$ 15,600</u>	<u>\$ 105,851</u>

Special Revenue Funds						
2009 Street Improvements	HPRP Funds	Edward Byrne Memorial Justice Assistance Program	Hawthorne Blvd Mobility Improvement Program	Sustainable Community Planning Grant	CATV Peg	
\$ 1,671,283	\$ 15,153	\$ -	\$ -	\$ 26,016	\$ 96,841	
-	-	-	-	-	-	
239,998	-	3,552	-	12,524	27,527	
-	-	-	-	-	-	
-	-	-	-	-	-	
430	-	-	-	-	-	
-	-	-	-	-	-	
<u>\$ 1,911,711</u>	<u>\$ 15,153</u>	<u>\$ 3,552</u>	<u>\$ -</u>	<u>\$ 38,540</u>	<u>\$ 124,368</u>	
\$ 472	\$ -	\$ -	\$ -	\$ 35,789	\$ -	
-	-	-	-	-	-	
554,020	-	-	-	37,271	-	
-	-	-	-	-	-	
-	-	3,552	573,532	-	-	
-	-	-	-	-	-	
<u>554,492</u>	<u>-</u>	<u>3,552</u>	<u>573,532</u>	<u>73,060</u>	<u>-</u>	
-	-	3,552	-	-	-	
-	-	-	-	-	-	
1,357,219	15,153	-	-	-	124,368	
-	-	(3,552)	(573,532)	(34,520)	-	
<u>1,357,219</u>	<u>15,153</u>	<u>(3,552)</u>	<u>(573,532)</u>	<u>(34,520)</u>	<u>124,368</u>	
<u>\$ 1,911,711</u>	<u>\$ 15,153</u>	<u>\$ 3,552</u>	<u>\$ -</u>	<u>\$ 38,540</u>	<u>\$ 124,368</u>	

City of Hawthorne

**Combining Balance Sheet, (continued)
Non-Major Governmental Funds
June 30, 2016**

	Special Revenue	Capital Projects	Debt Service Funds	
	Fund	Fund	Public	2016
	Homeland Security	Development	Financing	Refunding
	/Treasury	Impact	Authority	Bonds
	Forfeiture			
ASSETS				
Cash and investments	\$ -	\$ 4,303,243	\$ -	\$ -
Cash with fiscal agent	-	-	1,373,217	101,136
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Interest	-	1,223	-	-
Advances to other funds	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 4,304,466</u>	<u>\$ 1,373,217</u>	<u>\$ 101,136</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenue	-	-	-	-
Due to other governments	-	-	-	7,214
Due to other funds	-	-	-	-
Advances from other funds	-	-	12,148	789,103
Total liabilities	<u>-</u>	<u>-</u>	<u>12,148</u>	<u>796,317</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits):				
Nonspendable	-	-	-	-
Restricted	-	4,304,466	1,361,069	-
Unassigned	-	-	-	(695,181)
Total fund balances	<u>-</u>	<u>4,304,466</u>	<u>1,361,069</u>	<u>(695,181)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 4,304,466</u>	<u>\$ 1,373,217</u>	<u>\$ 101,136</u>

Debt Service Funds				Total Nonmajor Governmental Funds
CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond		
\$ -	\$ -	\$ 286,925	\$ 13,021,461	
-	-	341,297	1,815,650	
-	-	-	528,199	
-	-	-	18,663	
-	-	-	15,600	
-	-	81	3,184	
-	-	-	231,132	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 628,303</u>	<u>\$ 15,633,889</u>	
\$ -	\$ -	\$ -	\$ 649,053	
-	-	-	(37)	
-	-	-	2,085,141	
-	-	-	7,214	
-	-	-	674,169	
-	-	-	801,251	
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,216,791</u>	
-	-	-	210,472	
-	-	-	231,132	
-	-	628,303	12,536,362	
-	-	-	(1,560,868)	
<u>-</u>	<u>-</u>	<u>628,303</u>	<u>11,206,626</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 628,303</u>	<u>\$ 15,633,889</u>	

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2016**

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
Revenues				
Taxes	\$ 576,735	\$ 1,884,207	\$ -	\$ -
Licenses and permits				-
Intergovernmental	150,000	-	206,910	-
Charges for services	-	-	194,963	-
Fines and forfeitures	-	-	-	947,058
Use of money and property	7	1,244	965	270
Contributions	-	-	-	-
Miscellaneous	-	-	170,000	-
Total revenues	<u>726,742</u>	<u>1,885,451</u>	<u>572,838</u>	<u>947,328</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	678,071
Public works	756,014	529,682	1,952,259	-
Community development	-	-	-	-
Capital outlay	-	274,513	-	268,987
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>756,014</u>	<u>804,195</u>	<u>1,952,259</u>	<u>947,058</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,272)</u>	<u>1,081,256</u>	<u>(1,379,421)</u>	<u>270</u>
Other Financing Sources (Uses)				
Proceeds from debt	-	-	-	-
Payment to refunded debt escrow agent	-	-	-	-
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>
Net change in fund balances	(29,272)	(718,744)	420,579	270
Fund Balances (Deficit), Beginning, as Restated	<u>(3,074)</u>	<u>1,218,973</u>	<u>770,128</u>	<u>96,370</u>
Fund Balances (Deficit), Ending	<u>\$ (32,346)</u>	<u>\$ 500,229</u>	<u>\$ 1,190,707</u>	<u>\$ 96,640</u>

Special Revenue Funds					
COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	Urban Area Security Initiative Grant	MTA Measure R	Proposition A
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
157,018	115,899	80,292	10,995	973,527	1,563,946
-	-	-	-	-	14,222
-	-	-	-	-	-
191	-	7	-	948	306
-	-	-	-	-	-
-	-	-	-	-	-
<u>157,209</u>	<u>115,899</u>	<u>80,299</u>	<u>10,995</u>	<u>974,475</u>	<u>1,578,474</u>
-	-	-	-	-	-
100,000	127,719	38,570	-	-	-
-	-	-	-	131,246	1,097,660
-	-	-	-	-	-
-	27,392	41,722	163,103	1,175,539	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>100,000</u>	<u>155,111</u>	<u>80,292</u>	<u>163,103</u>	<u>1,306,785</u>	<u>1,097,660</u>
<u>57,209</u>	<u>(39,212)</u>	<u>7</u>	<u>(152,108)</u>	<u>(332,310)</u>	<u>480,814</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>57,209</u>	<u>(39,212)</u>	<u>7</u>	<u>(152,108)</u>	<u>(332,310)</u>	<u>480,814</u>
<u>129,640</u>	<u>(30,417)</u>	<u>10,349</u>	<u>-</u>	<u>1,470,217</u>	<u>(147,124)</u>
<u>\$ 186,849</u>	<u>\$ (69,629)</u>	<u>\$ 10,356</u>	<u>\$ (152,108)</u>	<u>\$ 1,137,907</u>	<u>\$ 333,690</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance, (continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2016**

	Special Revenue Funds			
	Proposition C	Air Quality	American Down Payment Dream Program	California Used Oil Recycling
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,298,165	111,684	-	8,729
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	1,464	209	-	104
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,299,629</u>	<u>111,893</u>	<u>-</u>	<u>8,833</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	976,351	-	-	-
Community development	-	102,830	-	9,344
Capital outlay	59,950	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>1,036,301</u>	<u>102,830</u>	<u>-</u>	<u>9,344</u>
Excess (deficiency) of revenues over (under) expenditures	<u>263,328</u>	<u>9,063</u>	<u>-</u>	<u>(511)</u>
Other Financing Sources (Uses)				
Proceeds from debt	-	-	-	-
Payment to refunded debt escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	263,328	9,063	-	(511)
Fund Balances (Deficit), Beginning, as Restated	<u>1,023,599</u>	<u>206,875</u>	<u>-</u>	<u>18,184</u>
Fund Balances (Deficit), Ending	<u>\$ 1,286,927</u>	<u>\$ 215,938</u>	<u>\$ -</u>	<u>\$ 17,673</u>

Special Revenue Funds					
2009 Street Improvements	HPRP Funds	Edward Byrne Memorial Justice Assistance Program	Hawthorne Blvd Mobility Improvement Program	Sustainable Community Planning Grant	CATV Peg
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	110,810
182,054	-	-	-	84,609	-
-	-	-	-	-	-
-	-	-	-	-	-
1,994	-	-	-	-	-
47,492	-	-	-	-	-
-	-	-	-	-	-
<u>231,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,609</u>	<u>110,810</u>
-	-	-	-	-	-
-	-	3,552	-	-	-
374,404	-	-	176	-	-
-	-	-	-	97,132	-
-	-	-	-	-	39,475
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>374,404</u>	<u>-</u>	<u>3,552</u>	<u>176</u>	<u>97,132</u>	<u>39,475</u>
<u>(142,864)</u>	<u>-</u>	<u>(3,552)</u>	<u>(176)</u>	<u>(12,523)</u>	<u>71,335</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	708,333	-	-
<u>(708,333)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(708,333)</u>	<u>-</u>	<u>-</u>	<u>708,333</u>	<u>-</u>	<u>-</u>
(851,197)	-	(3,552)	708,157	(12,523)	71,335
2,208,416	15,153	-	(1,281,689)	(21,997)	53,033
<u>\$ 1,357,219</u>	<u>\$ 15,153</u>	<u>\$ (3,552)</u>	<u>\$ (573,532)</u>	<u>\$ (34,520)</u>	<u>\$ 124,368</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance, (continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2016**

	Special Revenue Fund	Capital Projects Fund	Debt Service Funds	
	Homeland Security /Treasury Forfeiture	Development Impact	Public Financing Authority	2016 Refunding Bonds
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	398,844	-	-
Intergovernmental	-	-	-	-
Charges for services	17,940	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	4,778	16,829	5
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>17,940</u>	<u>403,622</u>	<u>16,829</u>	<u>5</u>
Expenditures				
Current:				
General government	-	-	7,324	-
Public safety	17,940	-	-	-
Public works	-	-	-	-
Community development	-	504	-	-
Capital outlay	-	127,040	-	-
Debt service:				
Principal retirement	-	-	518,184	-
Interest and fiscal charges	-	-	210,219	850,000
Bond issuance costs	-	-	-	941,625
Total expenditures	<u>17,940</u>	<u>127,544</u>	<u>735,727</u>	<u>1,791,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>276,078</u>	<u>(718,898)</u>	<u>(1,791,620)</u>
Other Financing Sources (Uses)				
Proceeds from debt	-	-	-	31,803,741
Payment to refunded debt escrow agent	-	-	-	(29,910,984)
Transfers in	-	-	959,212	-
Transfers out	-	-	-	(796,318)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>959,212</u>	<u>1,096,439</u>
Net change in fund balances	-	276,078	240,314	(695,181)
Fund Balances (Deficit), Beginning, as Restated	<u>-</u>	<u>4,028,388</u>	<u>1,120,755</u>	<u>-</u>
Fund Balances (Deficit), Ending	<u>\$ -</u>	<u>\$ 4,304,466</u>	<u>\$ 1,361,069</u>	<u>\$ (695,181)</u>

Debt Service Funds			
CIEDB Police Facility Lease Obligation	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond	Total
\$ -	\$ -	\$ -	\$ 2,460,942
-	-	-	509,654
-	-	-	4,943,828
-	-	-	227,125
-	-	-	947,058
-	-	327	29,648
-	-	-	47,492
-	3,906,856	-	4,076,856
-	3,906,856	327	13,242,603
43,768	107	3,057	54,256
-	-	-	965,852
-	-	-	5,817,792
-	-	-	209,810
-	-	-	2,177,721
652,002	2,350,000	135,000	3,655,186
569,135	849,828	138,120	2,617,302
-	-	-	941,625
1,264,905	3,199,935	276,177	16,439,544
(1,264,905)	706,921	(275,850)	(3,196,941)
-	-	-	31,803,741
-	-	-	(29,910,984)
1,443,880	707,149	273,120	5,891,694
-	-	-	(3,304,651)
1,443,880	707,149	273,120	4,479,800
178,975	1,414,070	(2,730)	1,282,859
(178,975)	(1,414,070)	631,033	9,923,767
\$ -	\$ -	\$ 628,303	\$ 11,206,626

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Street Lighting
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 560,000	\$ 560,000	\$ 576,735	\$ 16,735
Intergovernmental	150,000	150,000	150,000	-
Use of money and property	-	-	7	7
Total revenues	<u>710,000</u>	<u>710,000</u>	<u>726,742</u>	<u>16,742</u>
Expenditures				
Current:				
Public works	<u>704,164</u>	<u>704,164</u>	<u>756,014</u>	<u>(51,850)</u>
Total expenditures	<u>704,164</u>	<u>704,164</u>	<u>756,014</u>	<u>(51,850)</u>
Net change in fund balance	5,836	5,836	(29,272)	(35,108)
Fund balance (deficit), beginning	<u>(3,074)</u>	<u>(3,074)</u>	<u>(3,074)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 2,762</u>	<u>\$ 2,762</u>	<u>\$ (32,346)</u>	<u>\$ (35,108)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Gas Tax
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,905,286	\$ 1,905,286	\$ 1,884,207	\$ (21,079)
Use of money and property	-	-	1,244	1,244
Total revenues	<u>1,905,286</u>	<u>1,905,286</u>	<u>1,885,451</u>	<u>(19,835)</u>
Expenditures				
Current:				
Public works	487,716	487,716	529,682	(41,966)
Capital outlay	300,000	300,000	274,513	25,487
Total expenditures	<u>787,716</u>	<u>787,716</u>	<u>804,195</u>	<u>(16,479)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,117,570</u>	<u>1,117,570</u>	<u>1,081,256</u>	<u>(36,314)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(1,800,000)</u>	-
Total other financing sources (uses)	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(1,800,000)</u>	-
Net change in fund balance	(682,430)	(682,430)	(718,744)	(36,314)
Fund balance, beginning	<u>1,218,973</u>	<u>1,218,973</u>	<u>1,218,973</u>	-
Fund balance, ending	<u>\$ 536,543</u>	<u>\$ 536,543</u>	<u>\$ 500,229</u>	<u>\$ (36,314)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Street
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 170,000	\$ 170,000	\$ 206,910	\$ 36,910
Charges for services	186,000	186,000	194,963	8,963
Use of money and property	-	-	965	965
Miscellaneous	170,000	170,000	170,000	-
Total revenues	<u>526,000</u>	<u>526,000</u>	<u>572,838</u>	<u>46,838</u>
Expenditures				
Current:				
Public works	2,294,369	2,294,369	1,952,259	342,110
Total expenditures	<u>2,294,369</u>	<u>2,294,369</u>	<u>1,952,259</u>	<u>342,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,768,369)</u>	<u>(1,768,369)</u>	<u>(1,379,421)</u>	<u>388,948</u>
Other financing sources				
Transfers in	1,800,000	1,800,000	1,800,000	-
Total other financing sources	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
Net change in fund balance	31,631	31,631	420,579	388,948
Fund balance, beginning	<u>770,128</u>	<u>770,128</u>	<u>770,128</u>	<u>-</u>
Fund balance, ending	<u>\$ 801,759</u>	<u>\$ 801,759</u>	<u>\$ 1,190,707</u>	<u>\$ 388,948</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Asset Forfeiture
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 1,050,000	\$ 1,050,000	\$ 947,058	\$ (102,942)
Use of money and property	-	-	270	270
Total revenues	<u>1,050,000</u>	<u>1,050,000</u>	<u>947,328</u>	<u>(102,672)</u>
Expenditures				
Current:				
Public safety	525,839	525,839	678,071	(152,232)
Capital outlay	<u>355,080</u>	<u>355,080</u>	<u>268,987</u>	<u>86,093</u>
Total expenditures	<u>880,919</u>	<u>880,919</u>	<u>947,058</u>	<u>(66,139)</u>
Net change in fund balance	169,081	169,081	270	(168,811)
Fund balance, beginning	<u>96,370</u>	<u>96,370</u>	<u>96,370</u>	<u>-</u>
Fund balance, ending	<u>\$ 265,451</u>	<u>\$ 265,451</u>	<u>\$ 96,640</u>	<u>\$ (168,811)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
COPS
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 157,018	\$ 57,018
Use of money and property	-	-	191	191
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>157,209</u>	<u>57,209</u>
Expenditures				
Current:				
Public safety	100,000	100,000	100,000	-
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	-	-	57,209	57,209
Fund balance, beginning	<u>129,640</u>	<u>129,640</u>	<u>129,640</u>	<u>-</u>
Fund balance, ending	<u>\$ 129,640</u>	<u>\$ 129,640</u>	<u>\$ 186,849</u>	<u>\$ 57,209</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
California Office of Traffic Safety
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 346,485	\$ 346,485	\$ 115,899	\$ (230,586)
Total revenues	<u>346,485</u>	<u>346,485</u>	<u>115,899</u>	<u>(230,586)</u>
Expenditures				
Current:				
Public safety	306,728	306,728	127,719	179,009
Capital outlay	<u>39,757</u>	<u>39,757</u>	<u>27,392</u>	<u>12,365</u>
Total expenditures	<u>346,485</u>	<u>346,485</u>	<u>155,111</u>	<u>191,374</u>
Net change in fund balance	-	-	(39,212)	(39,212)
Fund balance (deficit), beginning	<u>(30,417)</u>	<u>(30,417)</u>	<u>(30,417)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (30,417)</u>	<u>\$ (30,417)</u>	<u>\$ (69,629)</u>	<u>\$ (39,212)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Local Law Enforcement Block Grant
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 102,493	\$ 102,493	\$ 80,292	\$ (22,201)
Use of money and property	-	-	7	7
Total revenues	<u>102,493</u>	<u>102,493</u>	<u>80,299</u>	<u>(22,194)</u>
Expenditures				
Current:				
Public safety	-	-	38,570	(38,570)
Capital outlay	102,493	102,493	41,722	60,771
Total expenditures	<u>102,493</u>	<u>102,493</u>	<u>80,292</u>	<u>22,201</u>
Net change in fund balance	-	-	7	7
Fund balance, beginning	<u>10,349</u>	<u>10,349</u>	<u>10,349</u>	<u>-</u>
Fund balance, ending	<u>\$ 10,349</u>	<u>\$ 10,349</u>	<u>\$ 10,356</u>	<u>\$ 7</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Urban Area Security Initiative Grant
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 175,000	\$ 175,000	\$ 10,995	\$ (164,005)
Total revenues	<u>175,000</u>	<u>175,000</u>	<u>10,995</u>	<u>(164,005)</u>
Expenditures				
Capital outlay	175,000	175,000	163,103	11,897
Total expenditures	<u>175,000</u>	<u>175,000</u>	<u>163,103</u>	<u>11,897</u>
Net change in fund balance	-	-	(152,108)	(152,108)
Fund balance, beginning	-	-	-	-
Fund balance (deficit), ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (152,108)</u>	<u>\$ (152,108)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
MTA Measure R
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 850,000	\$ 850,000	\$ 973,527	\$ 123,527
Use of money and property	-	-	948	948
Total revenues	<u>850,000</u>	<u>850,000</u>	<u>974,475</u>	<u>124,475</u>
Expenditures				
Current:				
Public works	264,604	264,604	131,246	133,358
Capital outlay	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,175,539</u>	<u>24,461</u>
Total expenditures	<u>1,464,604</u>	<u>1,464,604</u>	<u>1,306,785</u>	<u>157,819</u>
Net change in fund balance	(614,604)	(614,604)	(332,310)	282,294
Fund balance, beginning	<u>1,470,217</u>	<u>1,470,217</u>	<u>1,470,217</u>	-
Fund balance, ending	<u>\$ 855,613</u>	<u>\$ 855,613</u>	<u>\$ 1,137,907</u>	<u>\$ 282,294</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Proposition A
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,400,000	\$ 1,400,000	\$ 1,563,946	\$ 163,946
Charges for services	17,000	17,000	14,222	(2,778)
Use of money and property	-	-	306	306
Total revenues	<u>1,417,000</u>	<u>1,417,000</u>	<u>1,578,474</u>	<u>161,474</u>
Expenditures				
Current:				
Public works	<u>1,141,060</u>	<u>1,141,060</u>	<u>1,097,660</u>	<u>43,400</u>
Total expenditures	<u>1,141,060</u>	<u>1,141,060</u>	<u>1,097,660</u>	<u>43,400</u>
Net change in fund balance	275,940	275,940	480,814	204,874
Fund balance (deficit), beginning	<u>(147,124)</u>	<u>(147,124)</u>	<u>(147,124)</u>	<u>-</u>
Fund balance, ending	<u>\$ 128,816</u>	<u>\$ 128,816</u>	<u>\$ 333,690</u>	<u>\$ 204,874</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Proposition C
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,150,000	\$ 1,150,000	\$ 1,298,165	\$ 148,165
Use of money and property	-	-	1,464	1,464
Total revenues	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,299,629</u>	<u>149,629</u>
Expenditures				
Current:				
Public works	1,091,207	1,091,207	976,351	114,856
Capital outlay		55,000	59,950	(4,950)
Total expenditures	<u>1,091,207</u>	<u>1,146,207</u>	<u>1,036,301</u>	<u>109,906</u>
Net change in fund balance	58,793	3,793	263,328	259,535
Fund balance, beginning	<u>1,023,599</u>	<u>1,023,599</u>	<u>1,023,599</u>	-
Fund balance, ending	<u>\$ 1,082,392</u>	<u>\$ 1,027,392</u>	<u>\$ 1,286,927</u>	<u>\$ 259,535</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Air Quality
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 106,640	\$ 106,640	\$ 111,684	\$ 5,044
Use of money and property	-	-	209	209
Total revenues	<u>106,640</u>	<u>106,640</u>	<u>111,893</u>	<u>5,253</u>
Expenditures				
Current:				
Community development	106,640	106,640	102,830	3,810
Total expenditures	<u>106,640</u>	<u>106,640</u>	<u>102,830</u>	<u>3,810</u>
Net change in fund balance	-	-	9,063	9,063
Fund balance, beginning	<u>206,875</u>	<u>206,875</u>	<u>206,875</u>	-
Fund balance, ending	<u>\$ 206,875</u>	<u>\$ 206,875</u>	<u>\$ 215,938</u>	<u>\$ 9,063</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
California Used Oil Recycling
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 8,729	\$ (13,271)
Use of money and property	-	-	104	104
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>8,833</u>	<u>(13,167)</u>
Expenditures				
Current:				
Public works	<u>15,471</u>	<u>15,471</u>	<u>9,344</u>	<u>6,127</u>
Total expenditures	<u>15,471</u>	<u>15,471</u>	<u>9,344</u>	<u>6,127</u>
Net change in fund balance	6,529	6,529	(511)	(7,040)
Fund balance, beginning	<u>18,184</u>	<u>18,184</u>	<u>18,184</u>	<u>-</u>
Fund balance, ending	<u>\$ 24,713</u>	<u>\$ 24,713</u>	<u>\$ 17,673</u>	<u>\$ (7,040)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
2009 Street Improvements
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 4,010,030	\$ 4,010,030	\$ 182,054	\$ (3,827,976)
Use of money and property	-	-	1,994	1,994
Contributions	-	-	47,492	47,492
Miscellaneous	2,180,000	2,180,000	-	(2,180,000)
Total revenues	<u>6,190,030</u>	<u>6,190,030</u>	<u>231,540</u>	<u>(5,958,490)</u>
Expenditures				
Current:				
Public works	2,339,870	2,339,870	374,404	1,965,466
Total expenditures	<u>2,339,870</u>	<u>2,339,870</u>	<u>374,404</u>	<u>1,965,466</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,850,160</u>	<u>3,850,160</u>	<u>(142,864)</u>	<u>(3,993,024)</u>
Other Financing Sources (Uses)				
Transfers out	(708,334)	(708,334)	(708,333)	1
Total other financing sources (uses)	<u>(708,334)</u>	<u>(708,334)</u>	<u>(708,333)</u>	<u>1</u>
Net change in fund balance	3,141,826	3,141,826	(851,197)	(3,993,023)
Fund balance, beginning	<u>2,208,416</u>	<u>2,208,416</u>	<u>2,208,416</u>	<u>-</u>
Fund balance, ending	<u>\$ 5,350,242</u>	<u>\$ 5,350,242</u>	<u>\$ 1,357,219</u>	<u>\$ (3,993,023)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Edward Byrne Memorial Justice Assistance Program
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 55,000	\$ 100,334	\$ -	\$ (100,334)
Total revenues	55,000	100,334	-	(100,334)
Expenditures				
Current:				
Public safety	-	45,334	3,552	41,782
Capital outlay	22,906	22,906	-	22,906
Total expenditures	22,906	68,240	3,552	64,688
Net change in fund balance	32,094	32,094	(3,552)	(35,646)
Fund balance, beginning	-	-	-	-
Fund balance (deficit), ending	\$ 32,094	\$ 32,094	\$ (3,552)	\$ (35,646)

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Sustainable Community Planning Grant
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 531,690	\$ 531,690	\$ 84,609	\$ (447,081)
Total revenues	<u>531,690</u>	<u>531,690</u>	<u>84,609</u>	<u>(447,081)</u>
Expenditures				
Current:				
Community development	531,690	531,690	97,132	434,558
Total expenditures	<u>531,690</u>	<u>531,690</u>	<u>97,132</u>	<u>434,558</u>
Net change in fund balance	-	-	(12,523)	(12,523)
Fund balance (deficit), beginning	<u>(21,997)</u>	<u>(21,997)</u>	<u>(21,997)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (21,997)</u>	<u>\$ (21,997)</u>	<u>\$ (34,520)</u>	<u>\$ (12,523)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
CATV Peg Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 100,000	100,000	\$ 110,810	\$ 10,810
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>110,810</u>	<u>10,810</u>
Expenditures				
Capital outlay	50,000	50,000	39,475	10,525
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>39,475</u>	<u>10,525</u>
Net change in fund balance	50,000	50,000	71,335	21,335
Fund balance, beginning, as restated	<u>53,033</u>	<u>53,033</u>	<u>53,033</u>	<u>-</u>
Fund balance, ending	<u>\$ 103,033</u>	<u>\$ 103,033</u>	<u>\$ 124,368</u>	<u>\$ 21,335</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Development Impact
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 500,000	\$ 500,000	\$ 398,844	\$ (101,156)
Use of money and property	-	-	4,778	4,778
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>403,622</u>	<u>(96,378)</u>
Expenditures				
Current:				
Community development	504	504	504	-
Capital outlay	250,000	250,000	127,040	122,960
Total expenditures	<u>250,504</u>	<u>250,504</u>	<u>127,544</u>	<u>122,960</u>
Net change in fund balance	249,496	249,496	276,078	26,582
Fund balance, beginning	<u>4,028,388</u>	<u>4,028,388</u>	<u>4,028,388</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,277,884</u>	<u>\$ 4,277,884</u>	<u>\$ 4,304,466</u>	<u>\$ 26,582</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Public Financing Authority
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 16,829	\$ 16,829
Total revenues	-	-	16,829	16,829
Expenditures				
Current:				
General government	6,904	6,904	7,324	(420)
Debt service:				
Principal retirement	510,000	510,000	518,184	(8,184)
Interest and fiscal charges	215,798	215,798	210,219	5,579
Total expenditures	732,702	732,702	735,727	(3,025)
Excess (deficiency) of revenues over (under) expenditures	(732,702)	(732,702)	(718,898)	13,804
Other Financing Sources				
Transfers in	959,212	959,212	959,212	-
Total other financing sources	959,212	959,212	959,212	-
Net change in fund balance	226,510	226,510	240,314	13,804
Fund balance, beginning	1,120,755	1,120,755	1,120,755	-
Fund balance, ending	\$ 1,347,265	\$ 1,347,265	\$ 1,361,069	\$ 13,804

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
2016 Refunding Bonds
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 5	\$ 5
Total revenues	-	-	5	5
Expenditures				
Debt service:				
Interest and fiscal charges	-	850,000	850,000	-
Bond issuance costs	-	941,625	941,625	-
Total expenditures	-	1,791,625	1,791,625	-
Excess (deficiency) of revenues over expenditures	-	(1,791,625)	(1,791,620)	5
Other Financing Sources (Uses)				
Proceeds from debt	-	31,803,741	31,803,741	-
Payment to refunded debt escrow agent	-	(29,910,984)	(29,910,984)	-
Transfers out	-	(796,556)	(796,318)	238
Total other financing sources (uses)	-	1,096,201	1,096,439	238
Net change in fund balance	-	(695,424)	(695,181)	243
Fund balance, beginning	-	-	-	-
Fund balance (deficit), ending	\$ -	\$ (695,424)	\$ (695,181)	\$ 243

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
CIEDB Police Facility Lease Obligation
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current:				
General government	\$ 50,840	\$ 50,840	\$ 43,768	\$ 7,072
Debt service:				
Principal retirement	652,002	652,002	652,002	-
Interest and fiscal charges	569,135	569,135	569,135	-
Total expenditures	<u>1,271,977</u>	<u>1,271,977</u>	<u>1,264,905</u>	<u>7,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,271,977)</u>	<u>(1,271,977)</u>	<u>(1,264,905)</u>	<u>7,072</u>
Other Financing Sources				
Transfers in	<u>1,354,464</u>	<u>1,354,464</u>	<u>1,443,880</u>	<u>89,416</u>
Total other financing sources	<u>1,354,464</u>	<u>1,354,464</u>	<u>1,443,880</u>	<u>89,416</u>
Net change in fund balance	82,487	82,487	178,975	96,488
Fund balance (deficit), beginning	<u>(178,975)</u>	<u>(178,975)</u>	<u>(178,975)</u>	<u>-</u>
Fund balance, ending	<u>\$ (96,488)</u>	<u>\$ (96,488)</u>	<u>\$ -</u>	<u>\$ 96,488</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
2005 PERS Obligation Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Other revenue	\$ 2,555,879	\$ 2,555,879	\$ 3,906,856	\$ 1,350,977
Total revenues	<u>2,555,879</u>	<u>2,555,879</u>	<u>3,906,856</u>	<u>1,350,977</u>
Expenditures				
Current:				
General government	208	208	107	101
Debt service:				
Principal retirement	2,350,000	2,350,000	2,350,000	-
Interest and fiscal charges	845,784	845,784	849,828	(4,044)
Total expenditures	<u>3,195,992</u>	<u>3,195,992</u>	<u>3,199,935</u>	<u>(3,943)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(640,113)</u>	<u>(640,113)</u>	<u>706,921</u>	<u>1,347,034</u>
Other Financing Sources				
Transfers In	-	-	707,149	707,149
Total other financing sources	<u>-</u>	<u>-</u>	<u>707,149</u>	<u>707,149</u>
Net change in fund balance	(640,113)	(640,113)	1,414,070	2,054,183
Fund balance (deficit), beginning	<u>(1,414,070)</u>	<u>(1,414,070)</u>	<u>(1,414,070)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (2,054,183)</u>	<u>\$ (2,054,183)</u>	<u>\$ -</u>	<u>\$ 2,054,183</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
SBRPCA 2007 Series B Bond
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 300	\$ 300	\$ 327	\$ 27
Total revenues	300	300	327	27
Expenditures				
Current:				
General government	5,208	5,208	3,057	2,151
Debt service:				
Principal retirement	135,000	135,000	135,000	-
Interest and fiscal charges	138,120	138,120	138,120	-
Total expenditures	278,328	278,328	276,177	2,151
Excess (deficiency) of revenues over (under) expenditures	(278,028)	(278,028)	(275,850)	2,178
Other Financing Sources				
Transfers in	273,120	273,120	273,120	-
Total other financing sources	273,120	273,120	273,120	-
Net change in fund balance	(4,908)	(4,908)	(2,730)	2,178
Fund balance, beginning	631,033	631,033	631,033	-
Fund balance, ending	\$ 626,125	\$ 626,125	\$ 628,303	\$ 2,178

City of Hawthorne

**Combining Statement of Net Position
Internal Service Funds
For the Year Ended June 30, 2016**

ASSETS	Equipment Replacement	Insurance Reserve	Total
Current Assets:			
Cash and investments	\$ 150,381	\$ -	\$ 150,381
Receivables:			
Accounts	3,539	1,498	5,037
Advances to other funds	336,105	-	336,105
Inventories	14,311	-	14,311
Total current assets	504,336	1,498	505,834
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,261,176	-	1,261,176
Total noncurrent assets	1,261,176	-	1,261,176
Total assets	1,765,512	1,498	1,767,010
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	66,152	101,038	167,190
LIABILITIES			
Current liabilities:			
Accounts payable	62,472	48,938	111,410
Compensated absences	4,286	-	4,286
Due to other governments	-	9,268	9,268
Advances from other funds	-	796,561	796,561
Claims and judgements	-	421,383	421,383
Total current liabilities	66,758	1,276,150	1,342,908
Noncurrent liabilities:			
Compensated absences	17,144	-	17,144
Claims and judgements	-	1,685,534	1,685,534
Net pension liability	586,279	954,503	1,540,782
Total noncurrent liabilities	603,423	2,640,037	3,243,460
Total liabilities	670,181	3,916,187	4,586,368
DEFERRED INFLOWS OF RESOURCES			
Pension related	37,313	73,769	111,082
NET POSITION			
Net investment in capital assets	1,261,176	-	1,261,176
Unrestricted	(137,006)	(3,887,420)	(4,024,426)
Total net position	\$ 1,124,170	\$ (3,887,420)	\$ (2,763,250)

City of Hawthorne

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2016**

	Equipment Replacement	Insurance Reserve	Total
OPERATING REVENUES			
Sales and service charges	\$ 1,193,292	6,138,938	\$ 7,332,230
Miscellaneous	213,580	20,578	234,158
	<hr/>	<hr/>	<hr/>
Total operating revenues	1,406,872	6,159,516	7,566,388
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES			
Administration and general	858,065	686,317	1,544,382
Materials and supplies	303,423	-	303,423
Contractual services	57,133	2,245,845	2,302,978
Depreciation	419,433	-	419,433
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,638,054	2,932,162	4,570,216
	<hr/>	<hr/>	<hr/>
Operating income (loss)	-	-	-
Changes in net position	(231,182)	3,227,354	2,996,172
	<hr/>	<hr/>	<hr/>
NET POSITION			
Net position, beginning, as restated	1,355,352	(7,114,774)	(5,759,422)
	<hr/>	<hr/>	<hr/>
Net position (deficit), ending	\$ 1,124,170	\$ (3,887,420)	\$ (2,763,250)
	<hr/>	<hr/>	<hr/>

City of Hawthorne

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016**

	Equipment Replacement	Insurance Reserve	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 1,461,405	\$ 6,428,134	\$ 7,889,539
Cash paid to suppliers for goods and services	(951,442)	(3,909,378)	(4,860,820)
Cash paid to employees for services	(453,879)	(664,762)	(1,118,641)
Net cash provided by operating activities	<u>56,084</u>	<u>1,853,994</u>	<u>1,910,078</u>
Cash flows from noncapital financing activities			
Cash paid to other funds	(26,105)	(1,853,994)	(1,880,099)
Net cash used for noncapital financing activities	<u>(26,105)</u>	<u>(1,853,994)</u>	<u>(1,880,099)</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(193,178)	-	(193,178)
Net cash used for capital and related financing activities	<u>(193,178)</u>	<u>-</u>	<u>(193,178)</u>
Net decrease in cash and cash equivalents	(163,199)	-	(163,199)
Cash and cash equivalents, beginning of year	313,580	-	313,580
Cash and cash equivalents, end of year	<u>\$ 150,381</u>	<u>\$ -</u>	<u>\$ 150,381</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Cash flows from operating activities			
Operating income (loss)	\$ (231,182)	\$ 3,227,354	\$ 2,996,172
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	419,433	-	419,433
Net change in pension related items	(69,602)	(106,305)	(175,907)
(Increase) decrease in operating assets:			
Accounts receivable	54,533	268,618	323,151
Increase (decrease) in operating liabilities:			
Accounts payable	(111,673)	(152,341)	(264,014)
Accrued liabilities	(13,044)	(13,845)	(26,889)
Due to other governments	-	9,268	9,268
Claims and judgements payable	-	(1,378,755)	(1,378,755)
Compensated absences	7,619	-	7,619
Total adjustments	<u>287,266</u>	<u>(1,373,360)</u>	<u>(1,086,094)</u>
Net cash provided by operating activities	<u>\$ 56,084</u>	<u>\$ 1,853,994</u>	<u>\$ 1,910,078</u>

City of Hawthorne

**Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2016**

	Community Facilities Districts	City Agency	Totals
Assets			
Cash and investments	\$ 714,287	\$ 2,451,486	\$ 3,165,773
Receivables:			
Taxes	24,226	-	24,226
Interest	763	-	763
Accounts, net	-	1,435	1,435
Restricted assets:			
Cash and investments with fiscal agents	6,022,434	-	6,022,434
Total assets	<u>\$ 6,761,710</u>	<u>\$ 2,452,921</u>	<u>\$ 9,214,631</u>
Liabilities			
Accounts payable	\$ 251,613	\$ 148,581	\$ 400,194
Accrued liabilities	621,000	-	621,000
Deposits payable	-	2,304,340	2,304,340
Due to bondholders	5,889,097	-	5,889,097
Total liabilities	<u>\$ 6,761,710</u>	<u>\$ 2,452,921</u>	<u>\$ 9,214,631</u>

City of Hawthorne

Combining Statement of Changes in Assets and Liabilities All Agency Funds For the Year Ended June 30, 2016

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
<u>Community Facilities Districts</u>				
Assets				
Cash and Investments	\$ 3,625,557	\$ 4,419,500	\$ 7,330,770	\$ 714,287
Taxes receivable	31,015	24,226	31,015	24,226
Interest receivable	821	763	821	763
Restricted assets:				
Cash and Investments with fiscal agents	6,109,159	6,030,347	6,117,072	6,022,434
Total Assets	\$ 9,766,552	\$ 10,474,836	\$ 13,479,678	\$ 6,761,710
Liabilities				
Accounts payable	\$ 2,889	\$ 307,870	\$ 59,146	\$ 251,613
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	9,142,663	4,412,898	7,666,464	5,889,097
Total Liabilities	\$ 9,766,552	\$ 4,720,768	\$ 7,725,610	\$ 6,761,710
<u>City Agency</u>				
Assets				
Cash and investments	\$ 1,968,191	\$ 7,256,347	\$ 6,773,052	\$ 2,451,486
Accounts receivable, net	12,837	1,435	12,837	1,435
Total Assets	\$ 1,981,028	\$ 7,257,782	\$ 6,785,889	\$ 2,452,921
Liabilities				
Accounts payable	\$ 112,492	\$ 1,549,009	\$ 1,512,920	\$ 148,581
Deposits payable	1,868,536	7,257,781	6,821,977	2,304,340
Total Liabilities	\$ 1,981,028	\$ 8,806,790	\$ 8,334,897	\$ 2,452,921
<u>Combined Agency Funds</u>				
Assets				
Cash and Investments	\$ 5,593,748	\$ 11,675,847	\$ 14,103,822	\$ 3,165,773
Accounts receivable, net	12,837	1,435	12,837	1,435
Taxes receivable	31,015	24,226	31,015	24,226
Interest receivable	821	763	821	763
Restricted assets:				
Cash and Investments with fiscal agents	6,109,159	6,030,347	6,117,072	6,022,434
Total Assets	\$ 11,747,580	\$ 17,732,618	\$ 20,265,567	\$ 9,214,631
Liabilities				
Accounts payable	\$ 115,381	\$ 1,856,879	\$ 1,572,066	\$ 400,194
Accrued liabilities	621,000	-	-	621,000
Deposits payable	1,868,536	7,257,781	6,821,977	2,304,340
Due to bondholders	9,142,663	4,412,898	7,666,464	5,889,097
Total Liabilities	\$ 11,747,580	\$ 13,527,558	\$ 16,060,507	\$ 9,214,631

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STATISTICAL SECTION

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Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

CONTENTS	Page
Financial Trends	146
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	
Revenue Capacity	156
These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.	
Debt Capacity	161
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	
Demographic and Economic Information	168
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	171
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Hawthorne

Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities:				
Net investment in capital assets	\$ 33,273,876	\$ 36,429,525	\$ 36,455,524	\$ 41,657,641
Restricted for:				
Community Services	2,823,454.00	2,698,099.00	3,223,283.00	3,323,796.00
Public Safety	1,280,547	1,449,379	1,352,447	724,352
Public Works	-	-	-	-
Capital Projects	2,520,374	4,756,452	5,069,136	5,955,329
Debt Service	5,665,560	5,169,025	5,872,890	4,713,060
Unrestricted	5,807,713	13,444,968	1,585,619	(11,361,593)
Total governmental activities net position	<u>51,371,524</u>	<u>63,947,448</u>	<u>53,558,899</u>	<u>45,012,585</u>
Business-type activities:				
Net investment in capital assets	3,291,473	3,236,321	9,495,342	11,476,850
Unrestricted	187,086	261,380	508,716	(1,598,865)
Total business-type activities net position	<u>3,478,559</u>	<u>3,497,701</u>	<u>10,004,058</u>	<u>9,877,985</u>
Primary Government:				
Net investment in capital assets	36,565,349	39,665,846	45,950,866	53,134,491
Restricted for:				
Community Services	2,823,454	2,698,099	3,223,283	3,323,796
Public Safety	1,280,547	1,449,379	1,352,447	724,352
Public Works	-	-	-	-
Capital Projects	2,520,374	4,756,452	5,069,136	5,955,329
Debt Service	5,665,560	5,169,025	5,872,890	4,713,060
Unrestricted	5,994,799	13,706,348	2,094,335	(12,960,458)
Total primary government net position	<u>\$ 54,850,083</u>	<u>\$ 67,445,149</u>	<u>\$ 63,562,957</u>	<u>\$ 54,890,570</u>

(continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 46,716,073	\$ 49,953,731	\$ 47,629,536	\$ 88,248,555	\$ 98,764,480	\$ 98,816,219
15,074,542.00	13,337,436.00	23,633,197	24,107,637	6,983,229	3,211,422
129,753	197,710	238,528	154,050	205,942	293,845
-	-	-	-	-	5,821,832
8,456,744	2,608,932	2,633,641	3,459,998	4,028,388	4,428,834
1,273,778	550,756	1,765,455	1,746,659	1,751,788	1,989,372
(23,069,320)	48,281,467	37,773,141	2,718,192	(100,463,431)	(104,694,912)
<u>48,581,570</u>	<u>114,930,032</u>	<u>113,673,498</u>	<u>120,435,091</u>	<u>11,270,396</u>	<u>9,866,612</u>
11,100,190	10,727,192	10,495,271	10,883,092	\$ 10,761,597	\$ 10,443,914
(1,643,921)	(645,594)	334,901	1,060,109	(446,027)	770,871
<u>9,456,269</u>	<u>10,081,598</u>	<u>10,830,172</u>	<u>11,943,201</u>	<u>10,315,570</u>	<u>11,214,785</u>
57,816,263	60,680,923	58,124,807	99,131,647	109,526,077	109,260,133
15,074,542	13,337,436	23,633,197	24,107,637	6,983,229	3,211,422
129,753	197,710	238,528	154,050	205,942	293,845
-	-	-	-	-	5,821,832
8,456,744	2,608,932	2,633,641	3,459,998	4,028,388	4,428,834
1,273,778	550,756	1,765,455	1,746,659	1,751,788	1,989,372
(24,713,241)	47,635,873	38,108,042	3,778,301	(100,909,458)	(103,924,041)
<u>\$ 58,037,839</u>	<u>\$ 125,011,630</u>	<u>\$ 124,503,670</u>	<u>\$ 132,378,292</u>	<u>\$ 21,585,966</u>	<u>\$ 21,081,397</u>

City of Hawthorne

Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses:				
Governmental Activities:				
General government	\$ 12,113,593	\$ 14,077,030	\$ 18,362,846	\$ 17,791,458
Public safety	40,605,858	39,018,271	38,937,085	37,004,973
Community development	56,063,499	30,230,247	32,453,794	117,997,385
Parks and recreation	1,587,664	3,091,003	1,544,197	1,741,604
Public works	11,525,239	12,870,412	12,188,251	12,126,842
Interest on long-term debt	7,503,918	7,052,994	6,637,239	6,348,733
Total governmental activities expenses	<u>129,399,771</u>	<u>106,339,957</u>	<u>110,123,412</u>	<u>193,010,995</u>
Business-type activities:				
Airport	1,751,218	5,829,686	995,652	928,693
Sewer and storm drain	919,175	1,002,002.00	991,326.00	950,602.00
Total business-type activities expenses	<u>2,670,393</u>	<u>6,831,688</u>	<u>1,986,978</u>	<u>1,879,295</u>
Total primary government expenses	<u>132,070,164</u>	<u>113,171,645</u>	<u>112,110,390</u>	<u>194,890,290</u>
Program Revenues:				
Governmental Activities:				
General government	12,169,386	13,324,236	7,558,894	6,511,547
Public safety	11,729,606	5,661,581	6,110,770	5,489,825
Community development	30,167,037	35,992,785	31,206,065	93,457,240
Parks and recreation	735,933	1,868,958	991,727	698,277
Public works	16,362,990	9,164,584	4,054,024	8,990,453
Total governmental activities program revenues	<u>71,164,952</u>	<u>66,012,144</u>	<u>49,921,480</u>	<u>115,147,342</u>
Business-type activities:				
Airport	1,576,867	5,134,116	1,284,318	238,734
Sewer and storm drain	1,309,228	1,324,844	1,155,677	1,100,512
Total business-type activities program revenues	<u>2,886,095</u>	<u>6,458,960</u>	<u>2,439,995</u>	<u>1,339,246</u>
Total primary government program revenues	<u>74,051,047</u>	<u>72,471,104</u>	<u>52,361,475</u>	<u>116,486,588</u>
Net (expenses) revenues:				
Governmental activities	(58,234,819)	(40,327,813)	(60,201,932)	(77,863,653)
Business-type activities	<u>215,702</u>	<u>(372,728)</u>	<u>453,017</u>	<u>(540,049)</u>
Total primary government net (expenses)/revenues	<u>\$ (58,019,117)</u>	<u>\$ (40,700,541)</u>	<u>\$ (59,748,915)</u>	<u>\$ (78,403,702)</u>

(continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 13,528,644	\$ 6,382,008	\$ 7,750,941	\$ 7,768,606	\$ 9,677,945	\$ 9,959,013
38,762,602	39,196,784	41,129,544	43,840,245	48,115,574	47,961,278
102,613,415	31,862,859	20,364,753	14,003,502	15,380,435	11,948,791
1,621,402	1,714,451	1,687,789	2,019,805	2,097,720	3,539,851
13,128,404	12,085,246	13,134,894	14,077,746	14,921,503	10,020,953
6,355,253	5,886,728	2,297,756	2,189,013	2,084,801	2,862,959
<u>176,009,720</u>	<u>97,128,076</u>	<u>86,365,677</u>	<u>83,898,917</u>	<u>92,277,978</u>	<u>86,292,845</u>
887,718	1,013,603	981,673	901,405	949,809	931,989
<u>805,277.00</u>	<u>805,749.00</u>	<u>881,843.00</u>	<u>1,126,983.00</u>	<u>1,581,953</u>	<u>838,433</u>
<u>1,692,995</u>	<u>1,819,352</u>	<u>1,863,516</u>	<u>2,028,388</u>	<u>2,531,762</u>	<u>1,770,422</u>
<u>177,702,715</u>	<u>98,947,428</u>	<u>88,229,193</u>	<u>85,927,305</u>	<u>94,809,740</u>	<u>88,063,267</u>
7,641,310	9,450,117	7,388,347	10,358,083	9,966,590	11,770,484
4,840,868	4,715,985	5,273,480	6,310,867	5,595,120	9,250,179
100,419,432	38,342,370	17,592,931	19,140,595	21,395,006	7,923,370
693,891	772,912	787,003	801,753	785,977	663,082
11,167,336	9,908,895	8,115,365	6,982,951	7,104,305	4,682,406
<u>124,762,837</u>	<u>63,190,279</u>	<u>39,157,126</u>	<u>43,594,249</u>	<u>44,846,998</u>	<u>34,289,521</u>
585,975	875,314	977,941	1,456,803	919,129	860,162
<u>1,246,078</u>	<u>1,569,367</u>	<u>1,634,149</u>	<u>1,684,614</u>	<u>1,648,704</u>	<u>1,459,572</u>
<u>1,832,053</u>	<u>2,444,681</u>	<u>2,612,090</u>	<u>3,141,417</u>	<u>2,567,833</u>	<u>2,319,734</u>
<u>126,594,890</u>	<u>65,634,960</u>	<u>41,769,216</u>	<u>46,735,666</u>	<u>47,414,831</u>	<u>36,609,255</u>
(51,246,883)	(33,937,797)	(47,208,551)	(40,304,668)	(47,430,980)	(52,003,324)
<u>139,058</u>	<u>625,329</u>	<u>748,574</u>	<u>1,113,029</u>	<u>36,071</u>	<u>549,312</u>
<u>\$ (51,107,825)</u>	<u>\$ (33,312,468)</u>	<u>\$ (46,459,977)</u>	<u>\$ (39,191,639)</u>	<u>\$ (47,394,909)</u>	<u>\$ (51,454,012)</u>

City of Hawthorne

Changes in Net Position, (continued) Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 19,072,081	\$ 21,640,687	\$ 25,721,569	\$ 24,583,033
Sales taxes	11,259,714	10,961,498	10,295,502	10,187,490
Transient occupancy taxes	2,343,625	2,311,391	1,937,184	1,916,962
Franchise taxes	2,018,476	1,922,966	2,048,950	1,881,614
Business License taxes	4,502,735	4,424,253	4,372,513	4,107,323
Utility users tax	-	6,611,305	7,081,679	6,714,303
Other taxes	6,791,591	204,281	257,931	223,331
Miscellaneous revenue	479,575	395,078	305,881	264,107.00
Use of money and property	2,043,247	1,672,331	1,383,145	662,160
Other	4,433,016	3,078,291	4,214,096	3,102,494
Transfers	(250,000)	-	-	-
Total governmental activities	<u>52,694,060</u>	<u>53,222,081</u>	<u>57,618,450</u>	<u>53,642,817</u>
Business-type activities:				
Use of money and property	413,376	391,870	413,976	413,976
Miscellaneous	-	-	-	-
Transfers	250,000	-	-	-
Total business-type activities	<u>663,376</u>	<u>391,870</u>	<u>413,976</u>	<u>413,976</u>
Total primary government	<u>53,357,436</u>	<u>53,613,951</u>	<u>58,032,426</u>	<u>54,056,793</u>
Change in Net Position:				
Governmental activities	(5,540,759)	12,894,268	(2,583,482)	(24,220,836)
Business-type activities	879,078	19,142	866,993	(126,073)
Total primary government	<u>\$ (4,661,681)</u>	<u>\$ 12,913,410</u>	<u>\$ (1,716,489)</u>	<u>\$ (24,346,909)</u>

(continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 25,832,453	\$ 14,499,970	\$ 15,011,710	\$ 13,767,847	\$ 15,582,864	\$ 14,693,230
10,983,038	11,907,391	12,928,878	13,103,430	14,521,823	14,721,975
2,017,281	2,393,034	2,680,392	2,765,262	3,357,279	4,806,401
1,805,767	1,705,681	1,767,044	1,801,311	1,833,145	1,809,159
4,878,608	5,072,563	4,901,207	4,962,181	4,947,687	6,419,659
6,996,505	6,689,440	6,737,474	6,954,818	6,842,540	6,667,384
356,411	137,620	249,778	21,086	115,589	-
406,935	90,807	38,244	176,333	159,031	1,060,219
978,096	1,299,405	25,340	13,993	9,017	69,833
-	-	-	-	-	-
560,774	-	-	-	-	-
<u>54,815,868</u>	<u>43,795,911</u>	<u>44,340,067</u>	<u>43,566,261</u>	<u>47,368,975</u>	<u>50,247,860</u>
-	-	-	-	-	-
-	-	-	-	-	23,963
(560,774)	-	-	-	-	-
<u>(560,774)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,963</u>
<u>54,255,094</u>	<u>43,795,911</u>	<u>44,340,067</u>	<u>43,566,261</u>	<u>47,368,975</u>	<u>50,271,823</u>
3,568,985	9,858,114	(2,868,484)	3,261,593	(62,005)	(1,755,464)
(421,716)	625,329	748,574	1,113,029	36,071	573,275
<u>\$ 3,147,269</u>	<u>\$ 10,483,443</u>	<u>\$ (2,119,910)</u>	<u>\$ 4,374,622</u>	<u>\$ (25,934)</u>	<u>\$ (1,182,189)</u>

City of Hawthorne

Fund Balances of Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General Fund:				
Pre-GASB 54:				
Reserved for:				
encumbrances	\$ 65,705	\$ 133,638	\$ 333,976	\$ 101,884
prepaid costs	640,570	673,721	-	-
advances to other funds	20,999,856	20,124,856	20,124,856	20,124,856
inventory	54,319	51,727	42,771	56,912
Unreserved, undesignated	10,159,437	10,388,082	10,885,287	8,604,795
GASB 54:				
Nonspendable				
Unassigned				
Total General Fund	<u>31,919,887</u>	<u>31,372,024</u>	<u>31,386,890</u>	<u>28,888,447</u>
All Other Governmental Funds:				
Pre-GASB 54:				
Reserved for:				
encumbrances	135,899	81,540	28,549	49,903
prepaid costs	762,497	772,987	845,868	844,205
advances to other funds	41,224	-	-	-
land held for resale	1,103,920	-	-	-
compensated absences	-	637,591	752,203	1,052,374
capital projects	-	-	120,000	120,000
Unreserved, reported in:				
Special revenue funds	1,283,516	2,728,521	2,817,765	942,806
Capital projects funds	1,262,757	3,595,715	2,896,091	2,893,989
Debt service funds	1,614,265	5,152,080	1,381,015	5,749,340
Unreserved, designated for debt service	5,580,303	-	5,782,543	-
Unreserved, undesignated	(69,802,365)	(65,872,602)	(70,825,891)	(56,671,929)
GASB 54:				
Nonspendable				
Restricted				
Unassigned				
Total all other governmental funds	<u>(58,017,984)</u>	<u>(52,904,168)</u>	<u>(56,201,857)</u>	<u>(45,019,312)</u>
Total governmental funds	<u>\$ (26,098,097)</u>	<u>\$ (21,532,144)</u>	<u>\$ (24,814,967)</u>	<u>\$ (16,130,865)</u>

(continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 18,406,931	\$ 53,364	\$ 72,607	\$ 21,186	\$ 4,223,582	\$ 3,217,524
<u>16,077,846</u>	<u>14,100,610</u>	<u>17,081,233</u>	<u>17,825,388</u>	<u>11,846,918</u>	<u>10,763,286</u>
<u>34,484,777</u>	<u>14,153,974</u>	<u>17,153,840</u>	<u>17,846,574</u>	<u>16,070,500</u>	<u>13,980,810</u>
832,337	857,563	-	-	-	335,181
8,697,995	9,223,388	12,414,769	13,462,455	15,071,577	15,412,581
<u>(49,562,934)</u>	<u>71,528</u>	<u>(1,463,709)</u>	<u>(1,973,549)</u>	<u>(3,391,518)</u>	<u>(1,874,224)</u>
<u>(40,032,602)</u>	<u>10,152,479</u>	<u>10,951,060</u>	<u>11,488,906</u>	<u>11,680,059</u>	<u>13,873,538</u>
<u>\$ (5,547,825)</u>	<u>\$ 24,306,453</u>	<u>\$ 28,104,900</u>	<u>\$ 29,335,480</u>	<u>\$ 27,750,559</u>	<u>\$ 27,854,348</u>

City of Hawthorne

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Revenues:				
Taxes and special assessments	\$ 47,112,917	\$ 48,481,781	\$ 52,029,087	\$ 49,735,112
Licenses and permits	2,412,431	4,727,893	1,480,874	1,486,245
Intergovernmental	49,088,267	42,836,010	36,192,119	125,853,156
Charges for services	6,041,706	6,294,007	5,551,255	4,967,767
Fines and forfeitures	940,758	1,089,914	809,024	1,305,900
Use of money and property	2,571,353	2,706,617	3,185,374	2,861,172
Contributions	7,013,056	2,730,865	2,640,124	2,517,450
Miscellaneous	4,632,356	4,881,957	4,828,862	3,632,048
Total Revenues	119,812,844	113,749,044	106,716,719	192,358,850
Expenditures:				
Current:				
General government (2)	11,214,831	13,264,183	15,627,001	16,205,008
Public safety	39,261,766	36,685,591	36,800,346	36,958,393
Community development (2)	55,918,410	32,467,569	32,502,214	118,195,497
Parks and recreation	1,552,660	2,918,255	1,867,503	1,649,491
Public works	10,560,812	10,785,575	10,019,421	9,981,519
Capital outlay	10,916,367	3,460,575	4,573,481	7,339,197
Debt service:				
Principal retirement	6,717,903	3,426,092	3,602,165	3,585,337
Interest and fiscal charges	6,912,610	6,981,907	6,615,917	6,298,503
Cost of issuance	1,928,469	-	-	-
Total expenditures	144,983,828	109,989,747	111,608,048	200,212,945
Excess/(deficiency) of Revenues Over Expenditures	(25,170,984)	3,759,297	(4,891,329)	(7,854,095)
Other financing sources (uses):				
Issuance of debt	34,135,000	-	-	-
Gain on sale of land held for resale	-	-	-	-
Premium on bonds issued	887,904	-	-	-
Discount on bonds issued	(55,520)	-	-	-
Payment to bond escrow agent	-	-	-	-
Sale of capital assets	-	-	-	-
Loan proceeds	-	1,125,000	1,215,500	1,125,000
Bond proceeds	-	-	-	-
Capital Lease proceeds	-	-	-	-
Transfers in	7,326,204	10,009,164	6,878,687	8,723,679
Transfers out	(7,576,204)	(10,009,164)	(6,278,687)	(8,723,679)
Total other financing sources (uses)	34,717,384	1,125,000	1,815,500	1,125,000
Net Change in Fund Balances	\$ 9,546,400	\$ 4,884,297	\$ (3,075,829)	\$ (6,729,095)
Debt service as a percentage of noncapital expenditures	11.41%	12.82%	11.79%	5.60%

Notes:

- (1) Amounts have been restated to reflect lighting and landscaping expenditures as part of highways, streets, and parks instead of culture and recreation.
- (2) Beginning in fiscal year 2009-2010, all costs relating to the construction inspection function are reported under community development instead of highways, streets, and parks. Also, the storm water management function is under general government instead of highways, streets, and parks.

(continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 57,525,351	\$ 47,939,202	\$ 49,001,010	\$ 48,842,096	\$ 52,613,639	\$ 54,107,964
1,661,731	1,275,321	2,696,368	2,988,845	3,890,427	2,291,930
109,233,611	39,277,118	23,735,974	18,331,224	26,682,989	16,469,698
1,790,548	1,979,901	1,981,251	2,241,294	2,170,626	2,500,544
3,024,286	2,439,989	2,978,968	3,424,944	3,527,228	3,934,011
5,041,498	1,308,719	447,973	373,828	446,438	471,056
2,349,180	1,079,694	1,810,060	301,155	365,361	188,206
5,804,630	6,920,074	3,777,822	6,605,953	6,793,843	5,279,485
186,430,835	102,220,018	86,429,426	83,109,339	96,490,551	85,242,894
11,685,164	5,622,032	5,780,090	6,187,963	7,299,439	9,517,701
36,594,120	36,924,710	39,296,404	41,134,364	42,841,325	43,038,523
102,036,018	31,045,909	19,665,363	13,209,207	14,241,571	12,590,103
1,412,709	1,496,645	1,506,952	1,801,650	1,703,966	3,467,866
12,199,278	10,556,123	10,275,219	11,336,465	11,755,008	8,202,451
5,590,203	4,830,417	924,301	2,418,275	13,571,753	2,438,251
8,611,765	2,693,243	3,372,594	3,501,557	3,741,924	4,010,186
5,771,747	5,591,640	2,454,056	2,289,278	2,224,946	2,658,786
-	-	-	-	-	941,625
183,901,004	98,760,719	83,274,979	81,878,759	97,379,932	86,865,492
2,529,831	3,459,299	3,154,447	1,230,580	(889,381)	(1,622,598)
-	-	-	-	-	31,803,741
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(29,910,984)
-	-	-	-	-	-
1,125,000	-	-	-	-	-
6,367,436	-	-	-	-	-
-	73,464	-	-	-	-
12,767,509	7,230,946	3,927,563	3,995,825	4,034,710	5,894,967
(12,206,736)	(7,230,946)	(3,927,563)	(3,995,825)	(4,730,250)	(5,894,967)
8,053,209	73,464	-	-	(695,540)	1,892,757
\$ 10,583,040	\$ 3,532,763	\$ 3,154,447	\$ 1,230,580	\$ (1,584,921)	\$ 270,159
9.11%	10.19%	7.97%	7.97%	6.25%	7.85%

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City of Hawthorne

Assessed Value and Estimated Actual Value of Taxable Property (1) Last Ten Fiscal Years

Fiscal Year Ended June 30,	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Direct Tax Rate (2)
2007	4,547,948,524	294,013,381	(42,918,046)	4,799,043,859	0.23791 %
2008	5,066,985,782	319,019,682	(37,565,940)	5,348,439,524	0.23420
2009	5,431,251,477	329,070,716	(36,323,693)	5,723,998,500	0.24755
2010	5,474,378,993	326,479,393	(38,472,729)	5,762,385,657	0.24462
2011	5,391,064,153	284,848,277	(38,980,969)	5,636,931,461	0.25442
2012	5,468,818,806	300,585,978	(38,266,141)	5,731,138,643	0.24601
2013	5,576,281,164	293,802,204	(39,085,229)	5,830,998,139	0.24470
2014	5,778,996,631	262,583,724	(40,374,408)	6,001,205,947	0.09106
2015	5,975,266,047	271,246,528	(38,278,306)	6,208,234,269	0.09115
2016	6,360,930,083	261,718,287	(38,794,555)	6,583,853,815	0.09137

Notes:

- (1) In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is re-assessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.
- (2) Tax Rate Area 13-115.

Source: Los Angeles County Assessor's Office

City of Hawthorne

Direct and Overlapping Property Tax Rates (1) Last Ten Fiscal Years (rate per \$100 of assessed value)

	Fiscal Year			
	2007	2008	2009	2010
City basic rate	0.09484	0.09484	0.09484	0.09484
Redevelopment agency	1.00541	1.00450	1.00430	1.00430
Overlapping Rates				
Centinela Valley Union Hs District	0.02861	0.03084	0.02278	0.02918
County Detention Facilities 1987 Debt	0.00066	0.00000	0.00000	0.00000
El Camino Community College	0.03571	0.01647	0.01703	0.01487
Hawthorne School District	0.14490	0.07156	0.07390	0.07406
Inglewood Unified School Dist	0.07627	0.05797	0.07371	0.11300
La Community College District	0.02146	0.00879	0.02212	0.02311
La County Flood Control	0.00005	0.00000	0.00000	0.00000
Lawndale Elementary School Dist	0.05178	0.04814	0.04815	0.04760
Lennox School District	0.03516	0.03634	0.06008	0.06495
Los Angeles Unified School District	0.10681	0.12334	0.12478	0.15181
Metropolitan Water District	0.00470	0.00450	0.00430	0.00430
Wiseburn School District	0.11477	0.06494	0.03818	0.06352
Wiseburn-Centinela Unified	0.00000	0.00000	0.00000	0.00000
Total Direct Rate	0.23791	0.23420	0.24755	0.24462

Notes:

- (1) Tax rates are for Tax Rate Area 13-115.
- (2) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies in which the subject property resides. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of various voter-approved bonds.

Source: HdL Coren & Cone, Los Angeles County Assessor 2015/2016 Tax Rate Table

(continued)

	Fiscal Year					
	2011	2012	2013	2014	2015	2016
	0.09484	0.09484	0.09484	0.09484	0.09484	0.09484
	1.00370	1.00370	-	-	-	-
	0.03161	0.04985	0.05906	0.04369	0.08365	0.06484
	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
	0.01614	0.01688	0.01849	0.01750	0.01742	0.01745
	0.09394	0.09252	0.11286	0.10797	0.10620	0.10176
	0.11452	0.11278	0.12139	0.15614	0.14992	0.12761
	0.04031	0.03530	0.04875	0.04454	0.04017	0.03575
	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
	0.05429	0.04363	0.04919	0.04651	0.04334	0.04207
	0.06281	0.06682	0.08064	0.08118	0.08464	0.08456
	0.18695	0.16819	0.17561	0.14644	0.14688	0.12971
	0.00370	0.00370	0.00350	0.00350	0.00350	0.00350
	0.06358	0.09994	0.09129	0.11672	0.13062	0.13341
	0.00000	0.00000	0.00000	0.00000	0.08365	0.07997
	0.25442	0.24601	0.24470	0.09106	0.09115	0.09137

City of Hawthorne

Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value (1)	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value (1)	Rank	Percentage of Total City Taxable Assessed Value
DCT CARGO LLC	\$ 68,403,006	1	1.04 %			
COSTCO WHOLESALE CORPORATION	55,948,047	2	0.85	\$ 30,493,654	10	0.64 %
RS HAWTHORNE LLC	52,089,500	3	0.79	45,781,226	2	0.95
RT ROCKET ROAD LLC	46,650,000	4	0.71			
M AND A GABAE	46,011,481	5	0.70	40,465,079	4	0.84
BASP ZELMAN HAWTHORNE LLC	42,961,274	6	0.65			
OCEANGATE PROPERTY LLC	40,244,879	7	0.61	35,393,547	7	0.74
2 LA CIENEGA INC	39,755,252	8	0.60			
TRIUMPH AEROSTRUCTURES VOIGHT AIRCRAFT	33,280,750	9	0.51			
HAWTHORNE GATEWAY LP	32,537,498	10	0.49			
NORTHROP GRUMMAN SYSTEMS CORPORATION				53,518,046	1	1.12
RICARDO AND VANESSA MAZRY				42,330,000	3	0.88
VOUGHT AIRCRAFT INDUSTRIES INC				40,032,496	5	0.83
MP CARGO LAX I LLC				39,015,000	6	0.81
LITHOGRAPHIX INC				33,801,834	8	0.70
BRAD AND SHELLY HUBER				31,123,000	9	0.65
Total	<u>\$ 457,881,687</u>		<u>6.95 %</u>	<u>\$ 391,953,882</u>		<u>8.17 %</u>

Note:

The amounts shown above include assessed value date for both the City and the Successor Agency (former Redevelopment Agency).

Source: HdL Coren & Core, Los Angeles County Assessor 2015/2016 Combined Tax Rolls

City of Hawthorne

Property Tax Levies and Collections Last Ten Fiscal Years (1)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage
2007	\$ -	\$ 4,148,734	N/A	5,798	\$ 4,154,532	N/A %
2008	5,173,465	4,350,959	84.10	-	4,350,959	84.10
2009	5,568,957	4,177,470	75.01	5,939	4,183,409	75.12
2010	5,609,633	4,173,069	74.39	857	4,173,926	74.41
2011	5,497,740	4,128,674	75.10	2,823	4,131,497	75.15
2012	5,584,145	4,359,666	78.07	16	4,359,683	78.07
2013	5,683,467	6,633,338	116.71	1,395	6,634,733	116.74
2014	5,860,446	5,115,351	87.29	14,415	5,129,766	87.53
2015	6,088,145	5,513,166	90.56	-	5,513,166	90.56
2016	6,479,711	5,109,479	78.85	-	5,109,479	78.85

Note:

- * Los Angeles County Auditor and Controller Office only shows prior 9 years property tax report.
No 2007 property tax report is provided from the website.

Source: Los Angeles County Auditor and Controller Office.

City of Hawthorne

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities (1)						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable				
2007	\$ -	\$ 3,925,000	\$ -	\$ 313,032	\$ 7,100,000	\$ 11,338,032	0.007 %	129	
2008	-	3,840,000	-	108,322	6,625,000	10,573,322	0.007	120	
2009	-	3,735,000	-	18,905	6,236,136	9,990,041	0.006	112	
2010	-	3,630,000	-	2,343	5,758,571	9,390,914	0.006	105	
2011	-	9,747,391	-	-	5,278,247	15,025,638	0.010	167	
2012	-	9,632,391	-	66,657	4,797,647	14,496,695	0.009	170	
2013	-	9,057,452	-	52,460	4,303,708	13,413,620	0.008	157	
2014	-	8,454,052	-	37,647	3,942,366	12,434,065	0.007	144	
2015	-	7,828,114	-	22,219	3,580,698	11,431,031	0.007	132	
2016	-	7,174,930	-	6,778	3,218,691	10,400,399	0.006	118	

Note:

(1) General bonded debt is debt payable with governmental fund resources. Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

Source: City Finance Department.

City of Hawthorne

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds (1)</u>	<u>Total</u>	<u>Percent of Assessed Value (2)</u>	<u>Per Capita</u>
2007	\$ -	\$ 3,925,000	\$ 3,925,000	0.082 %	45
2008	-	3,840,000	3,840,000	0.072	44
2009	-	3,735,000	3,735,000	0.065	42
2010	-	3,630,000	3,630,000	0.063	40
2011	-	9,747,391	9,747,391	0.173	108
2012	-	9,632,391	9,632,391	0.168	113
2013	-	9,057,452	9,057,452	0.155	106
2014	-	8,454,052	8,454,052	0.141	98
2015	-	7,828,114	7,828,114	0.126	90
2016	-	7,174,930	7,174,930	0.109	82

Notes:

(1) The revenue bonds are secured by lease payments to be made by the City

(2) Assessed value has been used because actual value of taxable property is not readily available in the State of California.

Source: City Finance Department.

City of Hawthorne

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Total assessed valuation	\$ 4,841,961,905	\$ 5,386,005,464	\$ 5,760,322,193	\$ 5,800,858,386
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,210,490,476	1,346,501,366	1,440,080,548	1,450,214,597
Debt limit percentage	15%	15%	15%	15%
Debt limit	<u>181,573,571</u>	<u>201,975,205</u>	<u>216,012,082</u>	<u>217,532,189</u>
Total net debt applicable to limit: General obligation bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 181,573,571</u>	<u>\$ 201,975,205</u>	<u>\$ 216,012,082</u>	<u>\$ 217,532,189</u>
Total debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.000%	0.000%

Note:

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City Finance Department
County of Los Angeles Tax Assessor's Office

(continued)

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 5,675,912,430	\$ 5,769,404,784	\$ 5,870,083,368	\$ 6,041,580,355	\$ 6,246,512,575	\$ 6,622,648,370
25%	25%	25%	25%	25%	25%
1,418,978,108	1,442,351,196	1,467,520,842	1,510,395,089	1,561,628,144	1,655,662,093
15%	15%	15%	15%	15%	15%
<u>212,846,716</u>	<u>216,352,679</u>	<u>220,128,126</u>	<u>226,559,263</u>	<u>234,244,222</u>	<u>248,349,314</u>
-	-	-	-	-	-
<u>\$ 212,846,716</u>	<u>\$ 216,352,679</u>	<u>\$ 220,128,126</u>	<u>\$ 226,559,263</u>	<u>\$ 234,244,222</u>	<u>\$ 248,349,314</u>
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

City of Hawthorne

Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Revenue Bonds (1)					
	Revenue	Debt Service (2)			Coverage	
		Principal	Interest			
2007	N/A	N/A	N/A		N/A	
2008	\$ 245,965	\$ 85,000	\$ 152,481		1.04	
2009	276,326	105,000	170,020		1.00	
2010	550,341	105,000	166,083		2.03	
2011	280,123	110,000	162,145		1.03	
2012	1,018,068	115,000	429,652		1.87	
2013	1,000,848	574,939	417,157		1.01	
2014	998,192	603,400	403,110		0.99	
2015	999,499	625,939	387,708		0.99	
2016	1,249,488	653,184	342,760		1.25	

Notes:

(1) Revenue bonds are secured by lease payments to be made by the City

(2) Debt service shown is annual debt service.

Source: City Finance Department.

City of Hawthorne

Direct and Overlapping Debt As of June 30, 2016

2015-16 Assessed Valuation:	\$ 5,064,953,266
Incremental Value	1,491,069,655
Total Assessed Valuation	<u>\$ 3,573,883,611</u>

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Percentage</u>	<u>Gross Bonded Debt</u>	<u>Share of</u>
<u>Overlapping Debt</u>	<u>Applicable</u>	<u>Balance</u>	<u>Overlapping</u>
			<u>Debt</u>
*METROPOLITAN WATER DISTRICT	0.496%	\$ 44,916,916	\$ 222,612
HAWTHORNE SD DS 1997 SERIES B	96.629%	2,297,474	2,220,034
HAWTHORNE SD DS 1997 SERIES C	96.629%	2,444,844	2,362,437
HAWTHORNE SD DS 1997 SERIES 2004 D	96.629%	362,115	349,909
HAWTHORNE SD DS 2004 2005 SERIES A	96.629%	731,152	706,507
HAWTHORNE SD DS REF BONDS 1997 2005 SERIES E	96.629%	590,000	570,113
HAWTHORNE SD DS 2004 SERIES 2005B	96.629%	3,512,937	3,394,528
HAWTHORNE SD DS 2004, SERIES C 2008	96.629%	8,491,599	8,205,377
HAWTHORNE SD DS 2008,2009 SERIES A	96.629%	5,986,343	5,784,564
HAWTHORNE SD DS 2008 2012 SERIES B	96.629%	12,296,770	11,882,289
HAWTHORNE SD DS REF BONDS 2004 2015 SERIES A	96.629%	9,660,000	9,334,395
LAWNDALE ELEMENTARY SD DS 1998 SERIES B	19.938%	4,895,000	975,963
LAWNDALE ELEMENTARY DEBT SERVICE 98 SERIES C	19.938%	3,000,000	598,139
LAWNDALE ELEMENTARY 2010 REFUNDING BOND	19.938%	10,255,000	2,044,638
LENNOX SD DS 1998 SERIES 2002B	7.079%	2,507,128	177,483
LENNOX SD DS 2007, SERIES 2007	7.079%	1,048,827	74,248
LENNOX SD DS 2012 REFUNDING BONDS	7.079%	5,270,963	373,138
LENNOX SD DS 1998 SERIES 2012A QSCB	7.079%	2,920,000	206,711
CENTINELA VALLEY UNION HSD 2002 REF BOND S-A	54.985%	13,030,000	7,164,583
CENTINELA VALLEY UNION HSD 2004 REF BOND S-A	54.985%	28,215,000	15,514,099
CENTINELA VALLEY UNION HSD 2008 SERIES A	54.985%	20,818,464	11,447,092
CENTINELA VALLEY UNION HSD 2010, 11 SERIES A	54.985%	689,438	379,089
CENTINELA VALLEY UNION HSD 2010, 12 SERIES B	54.985%	71,945,324	39,559,342
CENTINELA VALLEY UNION HSD 2008 2013 SERIES B	54.985%	102,165,000	56,175,718
EL CAMINO CCD DS 2016	6.413%	185,825,000	11,917,024
EL CAMINO CCD DS 2002 SERIES 2006B	6.413%	5,090,000	326,424
EL CAMINO CCD DS 2002 SERIES 2012C	6.413%	180,631,166	11,583,941
EL CAMINO CCD DS 2012 REF BONDS	6.413%	41,490,000	2,660,769
LA CCD DS 2001, 2006 SERIES B	0.083%	53,535,000	44,625
LA CCD DS 2001, 2008 SER E-1	0.083%	20,620,000	17,188
LA CCD DS 2003, 2008 SER F-1	0.083%	20,270,000	16,897
LA CCD DS 2008, 2009 TAXABLE SER B	0.083%	75,000,000	62,518
LA CCD DS 2008, 2010 TAX SERIES D	0.083%	175,000,000	145,875
LA CCD DS 2008, 2010 TAX SER E (BABS)	0.083%	900,000,000	750,216
LA CCD DS 2008, 2010 SERIES C	0.083%	125,000,000	104,197
LA CCD DS 2013 REF BONDS	0.083%	261,585,000	218,050
LA CCD DS 2015 REF SERIES A	0.083%	230,000,000	191,722
LA CCD DS 2015 REF SERIES B	0.083%	1,462,085,000	1,218,755
LA CCD DS 2015 REF SERIES C	0.083%	42,000,000	35,010
LA CCD DS 2015	0.083%	305,905,000	254,994
INGLEWOOD USD DS 1998 SERIES D	0.050%	43,070,000	21,477
INGLEWOOD USD DS 2007 REF. BONDS	0.050%	46,515,000	23,195
INGLEWOOD USD DS 2012 SERIES A	0.050%	26,455,000	13,192
LOS ANGELES UNIF DS 2002 REF BOND	0.103%	58,280,000	60,034
LOS ANGELES UNIF DS 2005 REF BONDS A-1	0.103%	87,510,000	90,143
LOS ANGELES UNIF DS 2004 SERIES F	0.103%	17,270,000	17,790
LOS ANGELES UNIF DS 2005 SERIES A (2006)	0.103%	8,450,000	8,704
LOS ANGELES UNIF DS 2005 SERIES B (2006)	0.103%	1,331,240	1,371,296
LOS ANGELES UNIF DS 2005 SERIES C (2006)	0.103%	267,190,000	275,229

Notes:

* This fund is a portion of a larger agency and is responsible for debt in areas outside the city

Source: HdL Coren & Core, Los Angeles County Assessor 2015/2016 Combined Tax Rolls

City of Hawthorne

Direct and Overlapping Debt, (continued) As of June 30, 2016

2015-16 Assessed Valuation:	\$ 5,064,953,266
Incremental Value	<u>1,491,069,655</u>
Total Assessed Valuation	<u>\$ 3,573,883,611</u>

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Percentage</u>	<u>Gross Bonded Debt</u>	<u>Share of</u>
<u>Overlapping Debt (Continued)</u>	<u>Applicable</u>	<u>Balance</u>	<u>Overlapping</u>
			<u>Debt</u>
LOS ANGELES UNIF DS 2004 SERIES G (2006)	0.103%	\$ 417,375,000	\$ 429,933
LOS ANGELES UNIF DS 2002 SERIES B (2007)	0.103%	773,100,000	796,362
LOS ANGELES UNIF DS 2002 SERIES C	0.103%	96,815,000	99,728
LOS ANGELES UNIF DS 2004 SERIES H	0.103%	432,865,000	445,889
LOS ANGELES UNIF DS 2005 SERIES E	0.103%	55,405,000	57,072
LOS ANGELES UNIF DS 2005 SERIES H (QSCBS)	0.103%	608,955,000	627,278
LAUSD MEASURE R SERIES 2009	0.103%	319,480,000	329,093
LAUSD MEASURE R SERIES KRY BABS	0.103%	200,000,000	206,018
LAUSD MEASURE Y 2009 SERIES KRY BABS	0.103%	363,005,000	373,927
LAUSD MEASURE R 2010 SERIES RY BABS	0.103%	806,795,000	831,071
LAUSD MEASURE Y 2010 SERIES RY BABS	0.103%	1,250,585,000	1,288,214
LOS ANGELES UNIF DS 2014 REF BOND SERIES A	0.103%	140,445,000	144,671
LOS ANGELES UNIF DS 2014 REF BOND SERIES B	0.103%	1,602,125,000	1,650,331
LOS ANGELES UNIF DS 2014 REF BOND SERIES C	0.103%	76,245,000	78,539
LOS ANGELES UNIF DS 2014 REF BOND SERIES D	0.103%	318,085,000	327,656
LOS ANGELES UNIF DS 2004 SERIES J	0.103%	1,226,355,000	1,263,255
WISEBURN USD SD DS 1997 SERIES 1999A	16.330%	2,204,937	360,059
WISEBURN USD SD DS 2000 SERIES 2001	16.330%	6,144,239	1,003,333
WISEBURN USD SD DS 2007 2008 SERIES A	16.330%	21,952,400	3,584,752
WISEBURN USD SD DS 2010 2010 SERIES A	16.330%	856,589	139,878
WISEBURN USD SD DS 2010 2012 SERIES C	16.330%	35,955,135	5,871,351
WISEBURN USD SD DS 2010 2011 SERIES B	16.330%	13,491,532	2,203,121
WISEBURN USD SD DS 2010 2013 SERIES D	16.330%	5,225,000	853,225
WISEBURN USD SD DS REF BONDS 2015 SERIES A	16.330%	5,565,000	908,745
WISEBURN USD SD DS REF BONDS 2015 SERIES B	16.330%	51,635,000	8,431,819
Total overlapping debt		<u>\$ 13,828,822,532</u>	<u>\$ 243,457,593</u>

Notes:

* This fund is a portion of a larger agency and is responsible for debt in areas outside the city

Source: HdL Coren & Core, Los Angeles County Assessor 2015/2016 Combined Tax Rolls

City of Hawthorne

Demographic and Economic Statistics Last Ten Calendar Years

Fiscal Year	Square Miles	Population	Population Percentage Change	Personal Income (In Thousands)	Per Capita Personal Income (1)	Unemployment Rate (2)
2006	6.08	88,124		\$ 1,511,964	\$ 17,157	6.3%
2007	6.08	88,224	0.11%	1,554,890	17,624	6.7%
2008	6.08	89,354	1.28%	1,584,454	17,732	9.8%
2009	6.08	89,645	0.33%	1,559,312	17,394	15.0%
2010	6.08	90,145	0.56%	1,578,078	17,506	16.3%
2011	6.08	85,047	-5.66%	1,651,528	19,419	15.9%
2012	6.08	85,474	0.50%	1,674,179	19,587	12.1%
2013	6.08	86,644	1.37%	1,710,093	19,737	10.0%
2014	6.08	86,685	0.05%	1,715,583	19,791	7.4%
2015	6.08	88,003	1.52%	1,755,987	19,954	6.0%

Sources:
HdL Coren & Cone

City of Hawthorne

**Principal Employers
Current Year and Nine Years Ago**

The City was not able to obtain the 2006 and 2015 principal employers information in its first year of preparing a Comprehensive Annual Financial Report.

City of Hawthorne

Full-time and Part-time Employees by Function Last Ten Fiscal Years

Function/Program:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government	146	154	135	134	137	130	132	139	132	120
Community development	126	105	129	109	101	103	106	109	108	112
Public safety	40	41	37	44	46	47	42	43	46	47
Highways, streets and parks	28	30	23	27	27	27	27	34	32	28
Culture and recreation	<u>200</u>	<u>178</u>	<u>199</u>	<u>176</u>	<u>147</u>	<u>131</u>	<u>127</u>	<u>103</u>	<u>94</u>	<u>84</u>
Total	<u>540</u>	<u>508</u>	<u>523</u>	<u>490</u>	<u>458</u>	<u>438</u>	<u>434</u>	<u>428</u>	<u>412</u>	<u>391</u>

Source: City Finance Department.

City of Hawthorne

Operating Indicators by Function (1) Last Ten Years

<u>Function/Program</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
General Government:				
Number of business licenses issued	4,907	5,334	5,269	5,314
Number of requests for public information	10	18	33	62
Number of new hires including part-time	89	74	104	39
Number of invoices processed	16,866	14,275	15,199	15,251
Public Safety:				
Police:				
Number of emergency calls	40,642	47,281	46,800	46,904
Fire:				
Contracts with the Los Angeles	N/A	N/A	N/A	N/A
Highways and Streets:				
Number of street lights added in current year	1	-	-	1
Number of traffic signals added in current year	-	-	-	-
Miles of streets swept	15,184	15,184	15,184	15,184
Miles of centerline streets added	-	-	-	-
Storm drain structures cleaned and repaired	993	993	993	993
Culture and Recreation:				
Number of facility rentals	*	*	*	*
Number of swim program participants	*	*	*	*
Number of adult sports participants	*	*	*	*
Number of youth sports participants	*	*	*	*
Number of senior nutrition program meals served	*	*	*	*
Community Development:				
Number of building permits issued	*	*	*	*
Approximate number of building inspections conducted	*	*	*	*
Number of new business licenses issued	651	596	534	540

Notes:

- * City of Hawthorne was not able to obtain the information due to the fact that the data is no longer available.

Source: Various City Departments.

(continued)

<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
5,547	4,719	5,662	5,473	5,021	6,221
80	54	62	56	158	152
37	42	45	62	57	94
13,580	12,911	10,863	11,000	10,007	9,478
53,344	57,706	56,130	60,115	57,348	51,402
N/A	N/A	N/A	N/A	N/A	N/A
-	-	-	1	-	-
-	1	-	-	1	-
15,184	15,184	15,184	15,184	15,184	15,184
-	-	-	-	-	-
993	993	993	993	993	993
*	*	*	811	783	867
*	*	*	24,123	23,987	24,280
*	*	*	80	100	80
*	*	*	565	563	577
*	*	*	18,750	18,750	18,750
475	510	681	673	716	712
6,911	7,914	10,143	9,893	8,845	7,020
615	533	702	611	719	839

City of Hawthorne

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety:				
Police (1)				
Number of police stations	1	1	1	1
Number of emergency vehicles	87	92	83	78
Fire				
Number of fire stations (1)	N/A	N/A	N/A	N/A
Number of emergency vehicles	N/A	N/A	N/A	N/A
Highways and Streets:				
Miles of streets (2)	91	91	91	91
Number of street lights	3,634	3,634	3,634	3,634
Culture and Recreation:				
Parks	9	9	9	9
Acres of park land	50.23	50.23	50.23	50.23
Pools	1	1	1	1
	6	6	6	6

Notes:

- (1) The Fire station is owned by LA County. The City contracts its fire services with the County.
- (2) The number includes both California Edison Owned street lights and street light owned by City of Hawthorne

Sources: Various City departments.

(continued)

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1 85	1 80	1 80	1 79	1 76	1 99
N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A
91 3,634	91 3,639	91 3,639	91 3,639	91 3,639	91 3,639
9 50.23 1 6	10 50.38 1 6	10 50.38 1 6	10 50.38 1 6	10 50.38 1 6	10 50.38 1 6

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