



*City of Hawthorne,
California*

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Transmittal Letter

December 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, 2017. 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, 2017.

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, 2017, 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.

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 3.1% at the end of the third quarter of 2017. 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 2017, the national unemployment rate was reported at 4.1% 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 to raise interest rates in 2017, citing that the U.S. economy is recovering from the 2008 financial crisis.

LOCAL ECONOMY

According to the February 2017 Economic Forecast and Industry Outlook prepared by the Los Angeles County Economic Development Corporation, “*California has enjoyed remarkable diverse economy and is a global leader in a number of innovative industries, including information technology, aerospace, entertainment and the biosciences. In 2016, California’s economy grew at an estimated rate of 2.5%, faster than the nation as a whole which grew at 1.6%. California currently accounts for 13.6% of the nation’s GDP, far more than any other state, and is expected to expand by 2.4% in 2017 and 2.6% in 2018, again outpacing the nation.*

In 2016, California’s unemployment rate averaged 5.2%, the lowest in nine years. It is also expected to decline slowly over the next two years, reaching 5.0% in 2018 as we reach full employment. Over the course of 2016, nearly all major industry sectors in California added jobs. The largest private sector gains occurred in health care and social assistance (71,600 jobs added); leisure and hospitality (67,400 jobs added); and professional, scientific and technical services (51,000 jobs added). The public sector added 53,700 new jobs last year.

The Los Angeles County unemployment rate was estimated at 4.9% in September 2017, down 0.3% from 5.2% 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 2016-2017 fiscal year increased 6% 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 2016-17 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. 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 6% in fiscal year 2016-2017 from the prior fiscal year. Total expenses for the City totaled \$69.1 million for the year ended June 30, 2017. 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 2016-2017.

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 2006, the City became an originating member of the Independent Cities Risk Management Authority (ICRMA), a joint powers authority of 18 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 \$250,000 per occurrence, respectively. General liability claims that exceed the self-insured retention (SIR) are covered by ICRMA up to a maximum of \$30,000,000 per incident. Worker's compensation claims that exceed the (SIR) are insured by the California Public Entity Insurance Authority up to the California statutory limits for worker's compensation. The City contracts with third party administrators who manages the majority of claims filed 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.

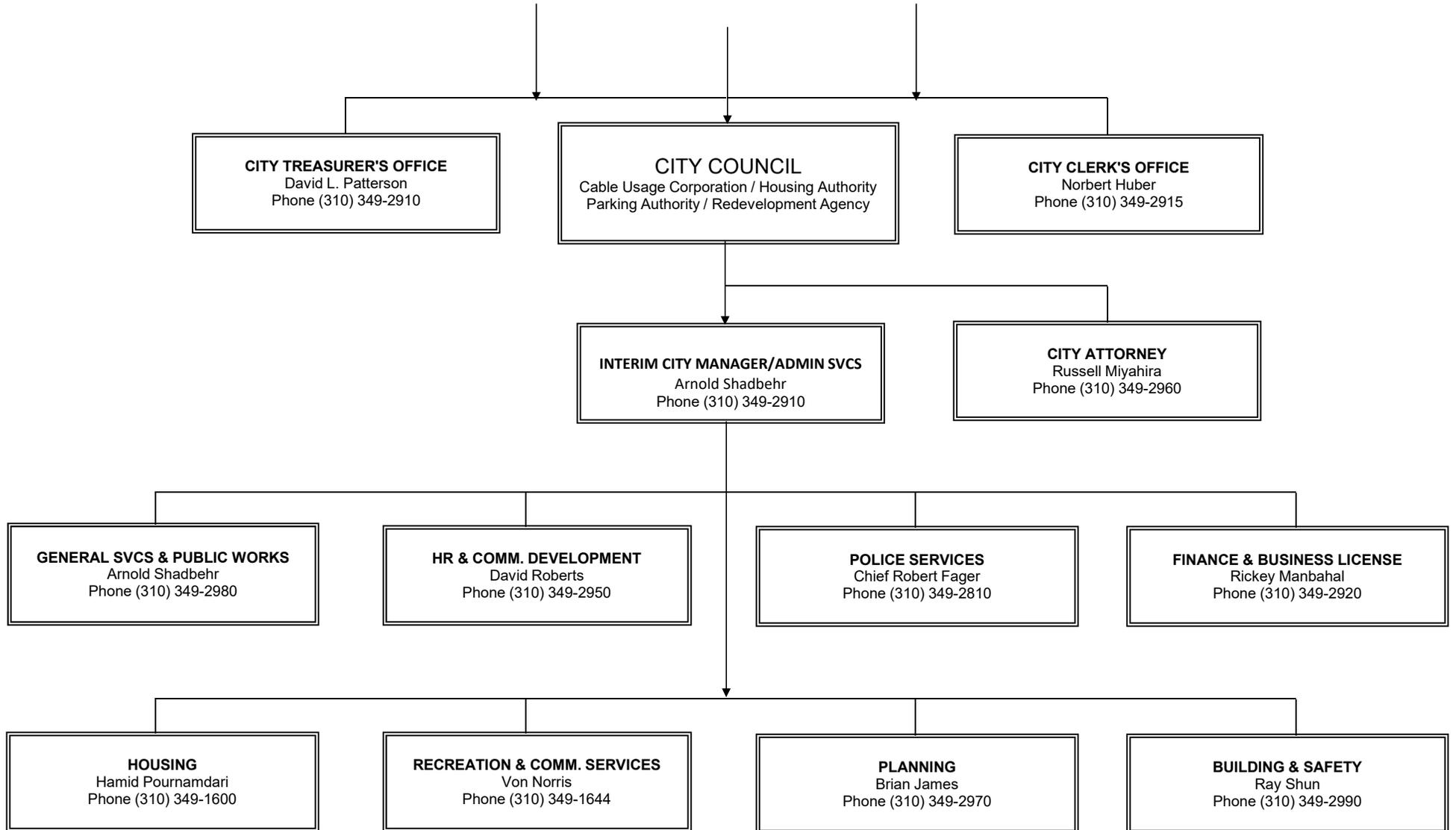
Lastly, a special thank you goes to the Mayor, City Council and City Manager for their support in maintaining the highest standards of professionalism in the management of the City of Hawthorne's finances. Through continued partnership with the community that we serve, the City of Hawthorne will continue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

Respectfully submitted,

A handwritten signature in blue ink that reads "R. Manbahal". The signature is written in a cursive, flowing style.

Rickey S. Manbahal
Finance Director

ELECTORATE



CITY OF HAWTHORNE

LIST OF PRINCIPAL OFFICIALS

City Council

Mayor
Pro Mayor Tem
Councilmember
Councilmember
Councilmember

Alex Vargas
Haidar Awad
Angie Reyes English
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 Manager
Planning Director

Ray Shun
Rickey S. Manbahal
Hamid Pournamdari
David Roberts
Robert Fager
Arnold Shadbeh
Vontray (Von) Norris
Brian James



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hawthorne
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

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Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
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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, 2017, 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

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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, 2017, 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.

Emphasis of Matter

Implementation of GASB Pronouncement

As described in Note 1, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. Our opinion is not modified with respect to this matter.

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 December 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
December 28, 2017

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City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2017

As management of the City of Hawthorne, we offer readers of the City of Hawthorne's financial statements this narrative overview and analysis of the financial activities of the City of Hawthorne for the fiscal year ended June 30, 2017. 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, 2017, the City's net position (assets plus deferred outflows of resources less liabilities and deferred inflows of resources) was 18.4 million. Of this amount, \$(113.4) million is unrestricted.
- The City of Hawthorne total net position decreased from the prior fiscal year 2015-2016 by \$2,664,343 in part due to the net decrease in the aggregate of the change net pension liability and pension related deferred outflows and inflows of resources. The City of Hawthorne's total net pension liability increased by \$21,784,241, the pension related outflows of resources (asset) increased by \$15,330,111, and the pension related inflows of resources (liability) decreased by \$5,139,758 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 61-72 of this report.
- At the close of the current fiscal year, the City of Hawthorne governmental funds reported combined fund balances of \$33,834,487, an increase of \$5,980,139 in comparison with the prior year. Approximately 47.3% of this amount (\$15,990,013) 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 \$16,615,228 or approximately 26.0% 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, 2017

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, 2017

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 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 21-24 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 25-27 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.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2017

The fiduciary fund financial statements can be found on pages 28-29 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 30-86 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 87-96 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 inflows by \$18.4 million at June 30, 2017. Approximately \$114.2 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, \$17.7 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, \$(113.4) 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 obligations for other postemployment benefits, and claims and judgments.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2017

At the end of the 2017 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 42,609,112	\$ 40,855,115	\$ 3,162,673	\$ 2,391,718	\$ 45,771,785	\$ 43,246,833
Capital assets, net	126,431,065	125,811,179	10,034,549	10,443,914	136,465,614	136,255,093
Total assets	169,040,177	166,666,294	13,197,222	12,835,632	182,237,399	179,501,926
Deferred outflows of resources	21,629,856	6,965,274	824,036	142,578	22,453,892	7,107,852
Long-term debt	175,188,497	148,854,034	2,273,371	1,564,403	177,461,868	150,418,437
Other liabilities	2,757,813	4,060,617	197,102	52,115	2,954,915	4,112,732
Total Liabilities	177,946,310	152,914,651	2,470,473	1,616,518	180,416,783	154,531,169
Deferred inflows of resources	5,820,227	10,850,305	37,227	146,907	5,857,454	10,997,212
Net position						
Net investment in capital assets	104,119,442	98,816,219	10,034,549	10,443,914	114,153,991	109,260,133
Restricted	17,681,869	15,745,305	-	-	17,681,869	15,745,305
Unrestricted	(114,897,815)	(104,694,912)	1,479,009	770,871	(113,418,806)	(103,924,041)
Total net position	\$ 6,903,496	\$ 9,866,612	\$ 11,513,558	\$ 11,214,785	\$ 18,417,054	\$ 21,081,397

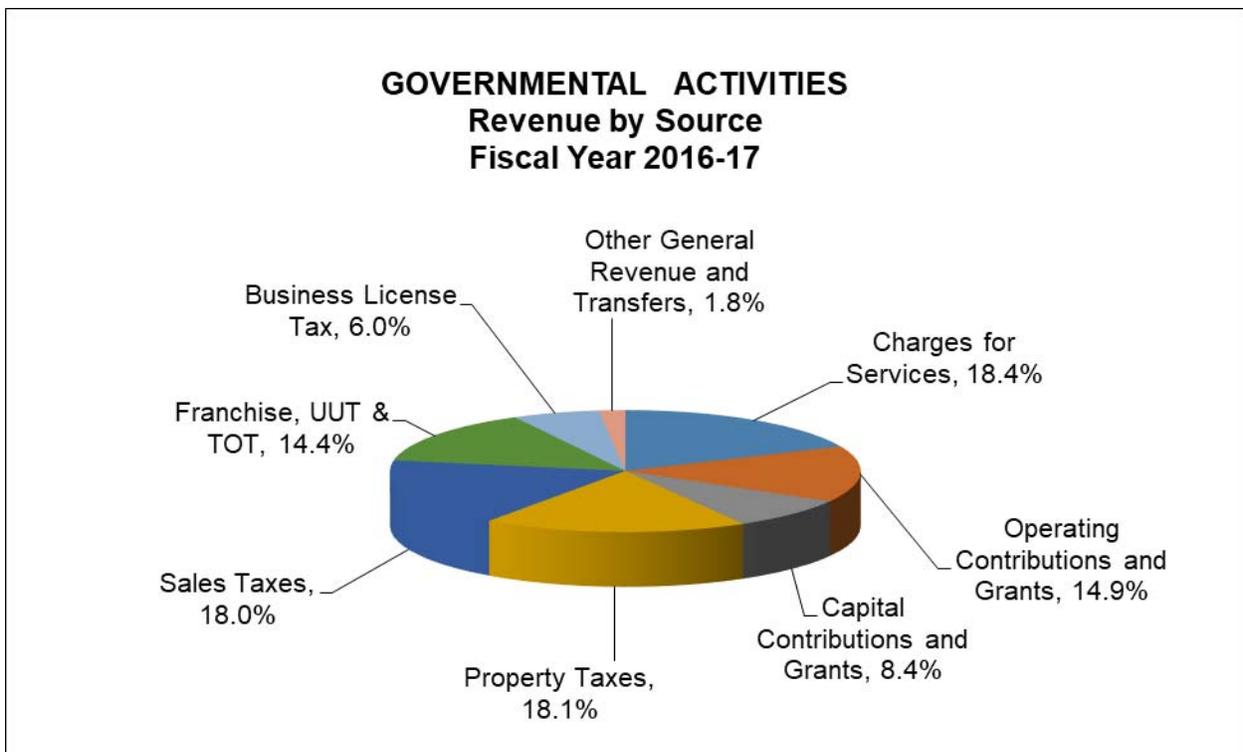
Governmental Activities. The City's net position from governmental activities totaled \$6.9 million. The cost of all governmental activities this year was \$95.4 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$54.7 million because some of the cost was paid by those who directly benefited from the programs (\$17.2 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$21.9 million). Overall, the City's governmental program revenues were \$39.1 million. The City paid for the remaining "public benefit" portion of governmental activities with \$53 million in taxes (some of which could only be used for certain programs) and with \$1.7 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 \$54.6 million.

City of Hawthorne

**Management's Discussion and Analysis
For the Year Ended June 30, 2017**

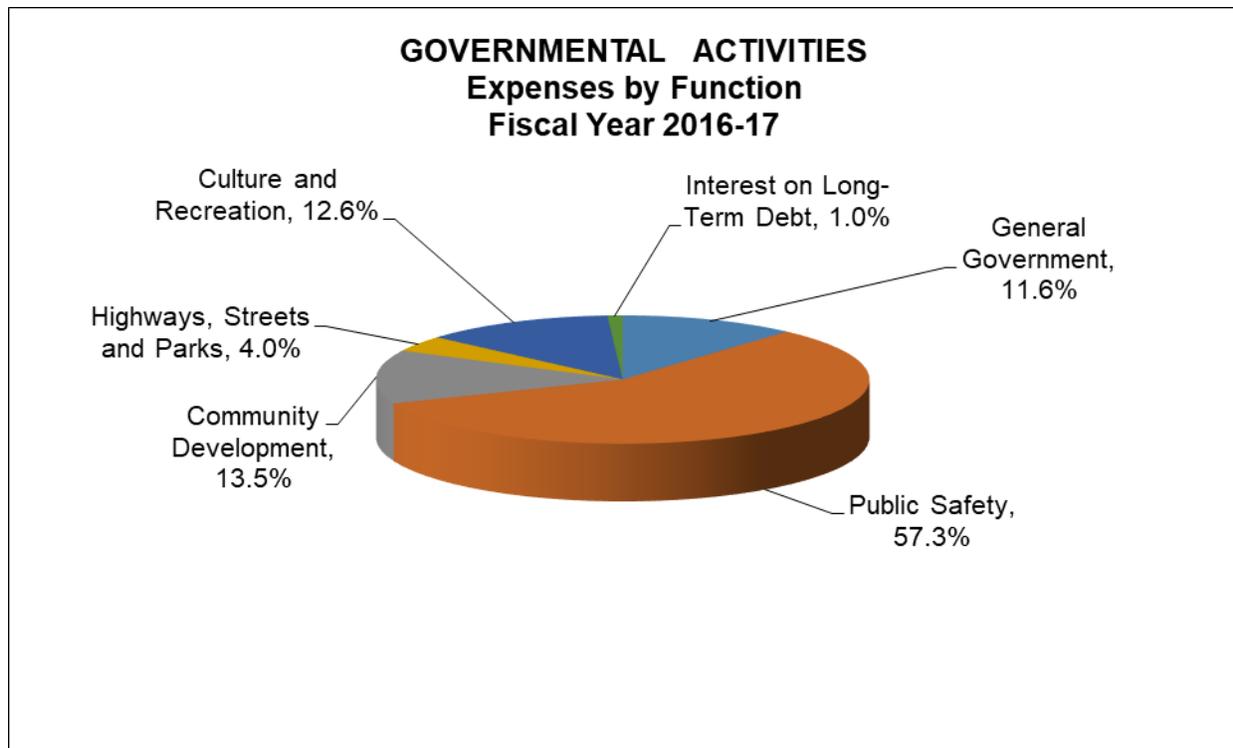
Revenue Source	2017	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
			From 2016	
Charges for services	\$ 17,246,498	18.4%	\$ 2,389,866	13.9%
Operating contributions and grants	14,008,449	14.9%	2,571,939	18.4%
Capital contributions and grants	7,852,047	8.4%	(144,332)	-1.8%
Property taxes	17,000,228	18.1%	2,306,998	13.6%
Sales taxes	16,856,609	18.0%	2,134,634	12.7%
Transient occupancy taxes	5,200,111	5.5%	393,710	7.6%
Franchise taxes	1,724,565	1.8%	(84,594)	-4.9%
Business License taxes	5,615,982	6.0%	(803,677)	-14.3%
Utility Users tax	6,613,873	7.1%	(53,511)	-0.8%
Other	1,689,803	1.8%	559,751	33.1%
Total revenue	\$ 93,808,165	100.0%	\$ 9,270,784	9.9%



**Management's Discussion and Analysis
For the Year Ended June 30, 2017**

**GOVERNMENTAL ACTIVITIES
Expense by Function**

Function	2017	Percent of Total	Increase (Decrease) From 2016	Percent Increase (Decrease)
General government	\$ 11,094,220	11.6%	\$ 1,135,207	10.2%
Public safety	54,633,003	57.3%	6,671,725	12.2%
Community development	12,849,025	13.5%	900,234	7.0%
Parks and recreation	3,827,432	4.0%	287,581	7.5%
Public works	12,051,189	12.6%	2,030,236	16.8%
Interest on long-term debt	918,037	1.0%	(1,944,922)	-211.9%
Total expenses	\$ 95,372,906	100.0%	\$ 9,080,061	9.5%



City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2017

Business-type Activities. Revenues of the City's business-type activities were \$2.4 million for the fiscal year ending June 30, 2017. Expenses for the City's business-type activities were \$2.1 million for the year, resulting in a net increase in net position of \$299 thousand. The net revenues are the result of several factors, including the following;

The City's Airport recorded total revenue of \$915 thousand. Expenses for the City's Airport were \$1.1 million, resulting in a net deficit of \$222 thousand. The most significant expenses of the Airport are \$644 thousand for administration and general and \$347 thousand in depreciation.

The City's Sewer Maintenance services recorded charges for service of \$1.4 million, which exceeded expenses by \$483 thousand. The most significant expenses of the Sewer Fund are \$604 thousand for administration and general and \$151 thousand for contractual services.

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

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 17,246,498	\$ 14,856,632	\$ 2,258,236	\$ 2,244,023	\$ 19,504,734	\$ 17,100,655
Operating contributions and grants	14,008,449	11,436,510	99,118	75,711	14,107,567	11,512,221
Capital contributions and grants	7,852,047	7,996,379	-	-	7,852,047	7,996,379
General revenues:						
Property taxes	17,000,228	14,693,230	-	-	17,000,228	14,693,230
Sales taxes	16,856,609	14,721,975	-	-	16,856,609	14,721,975
Transient occupancy taxes	5,200,111	4,806,401	-	-	5,200,111	4,806,401
Franchise taxes	1,724,565	1,809,159	-	-	1,724,565	1,809,159
Business License taxes	5,615,982	6,419,659	-	-	5,615,982	6,419,659
Utility Users tax	6,613,873	6,667,384	-	-	6,613,873	6,667,384
Other	1,689,803	1,130,052	5,874	23,963	1,695,677	1,154,015
Total Revenues	93,808,165	84,537,381	2,363,228	2,343,697	96,171,393	86,881,078
Expenses						
General government	11,094,220	9,959,013	-	-	11,094,220	9,959,013
Public safety	54,633,003	47,961,278	-	-	54,633,003	47,961,278
Community development	12,849,025	11,948,791	-	-	12,849,025	11,948,791
Parks and recreation	3,827,432	3,539,851	-	-	3,827,432	3,539,851
Public works	12,051,189	10,020,953	-	-	12,051,189	10,020,953
Interest on long-term debt	918,037	2,862,959	-	-	918,037	2,862,959
Airport	-	-	1,131,440	931,989	1,131,440	931,989
Sewer and storm drain	-	-	933,015	838,433	933,015	838,433
Total Expenses	95,372,906	86,292,845	2,064,455	1,770,422	97,437,361	88,063,267
Change in Net Position	(1,564,741)	(1,755,464)	298,773	573,275	(1,265,968)	(1,182,189)
Net Position, Beginning, as Restated	8,468,237	11,622,076	11,214,785	10,641,510	19,683,022	22,263,586
Net Position, Ending	\$ 6,903,496	\$ 9,866,612	\$ 11,513,558	\$ 11,214,785	\$ 18,417,054	\$ 21,081,397

**Management's Discussion and Analysis
For the Year Ended June 30, 2017**

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, 2017, the City of Hawthorne governmental funds reported combined fund balances of \$33.8 million, an increase of \$6.0 million in comparison with the prior year. Approximately 47.3% of this amount (\$16 million) constitutes unassigned fund balance. The remainder of the fund balance is either nonspendable or restricted.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2017

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 \$16.6 million, while total fund balance increased to \$18.0 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 26.0% of the total General Fund expenditures, while total fund balance represents approximately 26.1% of that same amount.

The fund balance of the City of Hawthorne General Fund increased by \$2.7 million during the current fiscal year, as discussed earlier in connection with governmental activities, the increase resulted from revenues received was more than projected, and was also 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 **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 \$2.97 million.

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 \$7.5 million. The total net income or (loss) for the Airport Fund was (\$217 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 \$3.98 million. The total net income or (loss) for the Sewer and Storm Drain Fund was \$515 thousand.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2017

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 slightly more than projected which is related to stronger economy and receipt of one time revenues.

	Estimated Revenues	Actual Revenues	Difference
Taxes	\$ 50,870,036	\$ 55,180,459	\$ 4,310,423
Licenses and permits	2,299,362	2,319,450	20,088
Intergovernmental	1,581,955	1,480,529	(101,426)
Charges for services	2,104,460	2,207,007	102,547
Fines and forfeitures	2,730,000	2,793,356	63,356
Use of money and property	20,000	15,485	(4,515)
Contributions	669,327	570,469	(98,858)
Miscellaneous	2,176,637	2,314,654	138,017
	<u>\$ 62,451,777</u>	<u>\$ 66,881,409</u>	

	Appropriated Expenditures	Actual Expenditures	Difference
General government	\$ 6,958,462	\$ 9,368,510	\$ (2,410,048)
Public safety	45,349,327	44,811,958	537,369
Community development	2,311,351	2,274,172	37,179
Parks and recreation	3,734,162	3,654,856	79,306
Public works	2,969,434	2,672,931	296,503
Capital outlay	1,028,948	1,001,916	27,032
	<u>\$ 62,351,684</u>	<u>\$ 63,784,343</u>	

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, 2017, net capital assets totaled \$126.4 million for governmental activities and \$10 million for business-type activities, net of accumulated depreciation on capital assets, which is recognized in the Government-wide Financial Statement.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2017

This investment in capital includes land, building, improvements other than buildings, infrastructure (Intersection Widening project, Marine Avenue Street improvement and Infiltration System project. etc.) and machinery and equipment (Police vehicle replacement and purchase of Dump Truck etc.). The total increase in the City's investment in capital asset for Fiscal Year 2016-2017 was \$1.6 million compared to prior year and included.

There is no major event during the current fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 9,745,120	\$ 9,045,120	\$ 37,314	\$ 37,314	\$ 9,782,434	\$ 9,082,434
Buildings and Improvements	27,709,649	28,914,127	1,243,296	1,322,283	28,952,945	30,236,410
Furniture and Equipment	3,138,670	3,063,710	-	-	3,138,670	3,063,710
Infrastructure	77,934,399	78,779,789	8,753,939	9,084,317	86,688,338	87,864,106
Investment in Joint Venture (RCC)	3,728,032	3,935,275	-	-	3,728,032	3,935,275
Construction in progress	4,175,195	674,783	-	-	4,175,195	674,783
Total	\$ 126,431,065	\$ 124,412,804	\$ 10,034,549	\$ 10,443,914	\$ 136,465,614	\$ 134,856,718

Additional information on the City of Hawthorne's capital assets can be found in Note 3 on pages 47-49 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$36,973,323. 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	
	2017	2016	2017	2016	2017	2016	2017	2016
Long-Term Debt:								
Bond	\$ 36,973,323	\$ 39,449,491	\$ -	\$ -	\$ -	\$ -	\$ 36,973,323	\$ 39,449,491
Lease payable	482,893	6,778	-	-	-	-	482,893	6,778
Loan payable	2,856,328	3,218,691	-	-	-	-	2,856,328	3,218,691
Total	\$ 40,312,544	\$ 42,674,960	\$ -	\$ -	\$ -	\$ -	\$ 40,312,544	\$ 42,674,960
Operational Liabilities:								
Compensated absences	4,109,519	3,560,159	27,537	21,430	76,880	66,815	\$ 4,213,936	\$ 3,648,404
OPEB	28,171,173	22,599,722	-	-	-	-	28,171,173	22,599,722
Net Pension Liability	96,787,064	76,350,064	2,189,120	1,540,782	2,196,491	1,497,588	101,172,675	79,388,434
Claims and Judgment payable	-	-	3,591,540	2,106,917	-	-	3,591,540	2,106,917
Total	\$ 129,067,756	\$ 102,509,945	\$ 5,808,197	\$ 3,669,129	\$ 2,273,371	\$ 1,564,403	\$ 137,149,324	\$ 107,743,477

The City of Hawthorne's total debt increased by \$27.0 million, or (18.8%) during the current fiscal year. The reason for the increase was mostly due to the increase of the net pension and OPEB liabilities during the year.

Additional information on the City of Hawthorne' long-term debt can be found in Note 5, on pages 52-58 of this report.

**Management's Discussion and Analysis
For the Year Ended June 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

From a big picture/national economic perspective, the economic upswing out of the recession continues slowly. 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.

According to the February 2017 Economic Forecast and Industry Outlook prepared by the Los Angeles County Economic Development Corporation, "California has enjoyed remarkable diverse economy and is a global leader in a number of innovative industries, including information technology, aerospace, entertainment and the biosciences. In 2016, California's economy grew at an estimated rate of 2.5%, faster than the nation as a whole which grew at 1.6%. California currently accounts for 13.6% of the nation's GDP, far more than any other state, and is expected to expand by 2.4% in 2017 and 2.6% in 2018, again outpacing the nation.

In 2016, California's unemployment rate averaged 5.2%, the lowest in nine years. It is also expected to decline slowly over the next two years, reaching 5.0% in 2018 as we reach full employment. Over the course of 2016, nearly all major industry sectors in California added jobs. The largest private sector gains occurred in health care and social assistance (71,600 jobs added); leisure and hospitality (67,400 jobs added); and professional, scientific and technical services (51,000 jobs added). The public sector added 53,700 new jobs last year.

The Los Angeles County unemployment rate was estimated at 4.9% in September 2017, down 0.3% from 5.2% a year ago, according to the latest available data by State of California Employment Development Department.

In developing the budget for fiscal year 2017-18, 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 Porsche Southbay, 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 2017-18 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, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 26,121,984	\$ 3,272,654	\$ 29,394,638
Cash and investments with fiscal agents	1,387,122	-	1,387,122
Receivables:			
Accounts	6,529,720	200,019	6,729,739
Taxes	231,873	-	231,873
Interest	12,670	-	12,670
Due from other governments	231,650	-	231,650
Internal balances	310,000	(310,000)	-
Due from successor agency	5,183,512	-	5,183,512
Due from CFD agency fund	2,532,284	-	2,532,284
Inventories	68,297	-	68,297
Capital assets, not being depreciated	13,920,315	37,314	13,957,629
Capital assets, net of accumulated depreciation	<u>112,510,750</u>	<u>9,997,235</u>	<u>122,507,985</u>
Total assets	<u>169,040,177</u>	<u>13,197,222</u>	<u>182,237,399</u>
Deferred outflows of resources			
Unamortized loss on defeasance of debt	545,220	-	545,220
Pension related	21,084,636	824,036	21,908,672
Total deferred outflows of resources	<u>21,629,856</u>	<u>824,036</u>	<u>22,453,892</u>
Liabilities			
Accounts payable	1,639,750	85,853	1,725,603
Accrued liabilities	636,386	17,851	654,237
Accrued interest	265,822	-	265,822
Unearned revenue	146,543	73,190	219,733
Deposits payable	69,312	20,208	89,520
Noncurrent liabilities:			
Due within one year	4,401,509	15,376	4,416,885
Due in more than one year	<u>170,786,988</u>	<u>2,257,995</u>	<u>173,044,983</u>
Total liabilities	<u>177,946,310</u>	<u>2,470,473</u>	<u>180,416,783</u>
Deferred inflows of resources			
Pension related	<u>5,820,227</u>	<u>37,227</u>	<u>5,857,454</u>
Net position			
Net investment in capital assets	104,119,442	10,034,549	114,153,991
Restricted for:			
Public works	6,174,648	-	6,174,648
Public safety	1,400,432	-	1,400,432
Capital improvements	4,243,801	-	4,243,801
Debt service	1,776,572	-	1,776,572
Community development	4,086,416	-	4,086,416
Unrestricted	<u>(114,897,815)</u>	<u>1,479,009</u>	<u>(113,418,806)</u>
Total net position	<u>\$ 6,903,496</u>	<u>\$ 11,513,558</u>	<u>\$ 18,417,054</u>

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

City of Hawthorne

**Statement of Activities
For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 11,094,220	\$ 6,733,137	\$ 4,491,847	\$ -
Public safety	54,633,003	4,573,475	887,415	-
Community development	12,849,025	1,470,949	6,972,205	4,017,121
Parks and recreation	3,827,432	642,713	-	-
Public works	12,051,189	3,826,224	1,656,982	3,834,926
Interest on long-term debt	918,037	-	-	-
Total governmental activities	95,372,906	17,246,498	14,008,449	7,852,047
Business-type activities:				
Airport	1,131,440	809,870	99,118	-
Sewer and storm drain	933,015	1,415,855	-	-
Storm water	-	32,511	-	-
Total business-type activities	2,064,455	2,258,236	99,118	-
Total Primary Government	\$ 97,437,361	\$ 19,504,734	\$ 14,107,567	\$ 7,852,047

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

Net Position - Ending

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

(continued)

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 130,764	\$ -	\$ 130,764
(49,172,113)	-	(49,172,113)
(388,750)	-	(388,750)
(3,184,719)	-	(3,184,719)
(2,733,057)	-	(2,733,057)
(918,037)	-	(918,037)
<u>(56,265,912)</u>	<u>-</u>	<u>(56,265,912)</u>
-	(222,452)	(222,452)
-	482,840	482,840
-	32,511	32,511
<u>-</u>	<u>292,899</u>	<u>292,899</u>
<u>(56,265,912)</u>	<u>292,899</u>	<u>(55,973,013)</u>
17,000,228	-	17,000,228
16,856,609	-	16,856,609
5,200,111	-	5,200,111
1,724,565	-	1,724,565
5,615,982	-	5,615,982
6,613,873	-	6,613,873
1,649,614	5,874	1,655,488
40,189	-	40,189
<u>54,701,171</u>	<u>5,874</u>	<u>54,707,045</u>
(1,564,741)	298,773	(1,265,968)
8,468,237	11,214,785	19,683,022
<u>\$ 6,903,496</u>	<u>\$ 11,513,558</u>	<u>\$ 18,417,054</u>

City of Hawthorne

**Balance Sheet – Governmental Funds
June 30, 2017**

	General	Special Revenue Fund Housing Asset	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 9,503,557	\$ 3,001,661	\$ 12,808,795	\$ 25,314,013
Cash and investments with fiscal agents	-	-	1,387,122	1,387,122
Receivables:				
Accounts	4,652,492	6,193	1,863,411	6,522,096
Taxes	206,339	-	25,534	231,873
Interest	6,184	1,220	5,266	12,670
Due from other governments	-	-	231,650	231,650
Due from successor agency	-	5,183,512	-	5,183,512
Due from CFD agency fund	2,532,284	-	-	2,532,284
Due from other funds	1,066,743	-	-	1,066,743
Advances to other funds	-	-	238,412	238,412
Inventories	53,986	-	-	53,986
Total assets	<u>\$ 18,021,585</u>	<u>\$ 8,192,586</u>	<u>\$ 16,560,190</u>	<u>\$ 42,774,361</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 724,418	\$ 10,097	\$ 700,554	\$ 1,435,069
Accrued liabilities	577,185	3,006	56,195	636,386
Unearned revenue	25,768	-	120,775	146,543
Deposits payable	25,000	26,415	17,897	69,312
Due to other funds	-	-	1,066,743	1,066,743
Advances from other funds	-	-	105,652	105,652
Total liabilities	<u>1,352,371</u>	<u>39,518</u>	<u>2,067,816</u>	<u>3,459,705</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	5,183,512	296,657	5,480,169
Fund Balances (Deficits):				
Nonspendable	53,986	-	-	53,986
Restricted	-	2,969,556	14,820,932	17,790,488
Unassigned	16,615,228	-	(625,215)	15,990,013
Total fund balances (deficits)	<u>16,669,214</u>	<u>2,969,556</u>	<u>14,195,717</u>	<u>33,834,487</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,021,585</u>	<u>\$ 8,192,586</u>	<u>\$ 16,560,190</u>	<u>\$ 42,774,361</u>

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

City of Hawthorne

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2017

Fund balances of governmental funds		\$ 33,834,487
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.		125,237,438
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	\$ 20,224,773	
Pension related deferred inflows of resources	<u>(5,754,203)</u>	14,470,570
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.		
Bonds payable	(36,973,323)	
Compensated absences	(4,109,519)	
Net pension liability	(96,787,064)	
Other post-employment benefits obligation	(28,171,173)	
Capital lease payable	(482,893)	
Loan payable - West Basin	(36,328)	
Section 108 loan payable	<u>(2,820,000)</u>	(169,380,300)
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		545,220
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		5,480,169
Accrued interest payable for the interest due on long-term debt has not been reported in the governmental funds.		(265,822)
Internal service funds are used to charge the cost of activities to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.		<u>(3,018,266)</u>
Net position of governmental activities		<u>\$ 6,903,496</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, 2017**

	General	Special Revenue Fund Housing Asset	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 55,180,459	\$ 705,996	\$ 2,228,785	\$ 58,115,240
Licenses and permits	2,319,450	-	216,021	2,535,471
Intergovernmental	1,480,529	-	20,765,057	22,245,586
Charges for services	2,207,007	-	205,929	2,412,936
Fines and forfeitures	2,793,356	-	3,056,975	5,850,331
Use of money and property	15,485	340,986	173,994	530,465
Contributions	570,469	-	303,151	873,620
Miscellaneous	2,314,654	-	3,077,842	5,392,496
Total revenues	<u>66,881,409</u>	<u>1,046,982</u>	<u>30,027,754</u>	<u>97,956,145</u>
Expenditures				
Current:				
General government	9,368,510	-	20,261	9,388,771
Public safety	44,811,958	-	1,362,025	46,173,983
Public works	2,672,931	-	10,892,834	13,565,765
Community development	2,274,172	338,338	10,134,553	12,747,063
Parks and recreation	3,654,856	-	-	3,654,856
Capital outlay	1,001,916	-	2,162,894	3,164,810
Debt service:				
Principal payment	-	-	5,473,428	5,473,428
Interest and fiscal charges	-	-	980,189	980,189
Bond issuance costs	-	-	108,692	108,692
Total expenditures	<u>63,784,343</u>	<u>338,338</u>	<u>31,134,876</u>	<u>95,257,557</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,097,066</u>	<u>708,644</u>	<u>(1,107,122)</u>	<u>2,698,588</u>
Other Financing Sources (Uses)				
Issuance of debt	-	-	2,730,900	2,730,900
Acquisition under capital leases	550,651	-	-	550,651
Transfers in	-	-	2,759,313	2,759,313
Transfers out	(959,313)	-	(1,800,000)	(2,759,313)
Total other financing sources (uses)	<u>(408,662)</u>	<u>-</u>	<u>3,690,213</u>	<u>3,281,551</u>
Net Changes in Fund Balances	2,688,404	708,644	2,583,091	5,980,139
Fund Balances, Beginning	<u>13,980,810</u>	<u>2,260,912</u>	<u>11,612,626</u>	<u>27,854,348</u>
Fund Balances, Ending	<u>\$ 16,669,214</u>	<u>\$ 2,969,556</u>	<u>\$ 14,195,717</u>	<u>\$ 33,834,487</u>

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

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, 2017

Net changes in fund balances - total governmental funds \$ 5,980,139

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	\$ 7,283,362	
Depreciation expense, net of deletions of capital assets	<u>(5,197,552)</u>	2,085,810

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		(4,203,483)
--	--	-------------

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	(2,730,900)	
Deferred loss on refunding	62,192	
Acquisition under capital leases	(550,651)	
Principal payments on long-term debt	5,473,428	
Principal payments of capital leases	74,536	
Principal payments of notes payable	7,363	
Changes in pension related items	<u>(1,496,000)</u>	839,968

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	(549,360)	
Change in other post-employment benefits obligation	(5,571,451)	
Change in accrued interest	66,275	
Amortization of bond discount	(74,311)	
Amortization of bond premium	162,951	
Amortization of deferred amount on refunding	<u>(46,263)</u>	(6,012,159)

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.

(255,016)

Changes in net position of governmental activities

\$ (1,564,741)

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

City of Hawthorne

Statement of Net Position Proprietary Funds June 30, 2017

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 787,465	\$ 2,383,949	\$ 101,240	\$ 3,272,654	\$ 807,971
Receivables:					
Accounts	77,917	121,852	250	200,019	7,624
Advances to other funds	-	-	-	-	310,000
Inventories	-	-	-	-	14,311
Total current assets	<u>865,382</u>	<u>2,505,801</u>	<u>101,490</u>	<u>3,472,673</u>	<u>1,139,906</u>
Noncurrent assets:					
Capital assets, not depreciated	37,314	-	-	37,314	-
Capital assets, net of depreciation	7,798,032	2,199,203	-	9,997,235	1,193,627
Total noncurrent assets	<u>7,835,346</u>	<u>2,199,203</u>	<u>-</u>	<u>10,034,549</u>	<u>1,193,627</u>
Total assets	<u>8,700,728</u>	<u>4,705,004</u>	<u>101,490</u>	<u>13,507,222</u>	<u>2,333,533</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	<u>350,995</u>	<u>473,041</u>	<u>-</u>	<u>824,036</u>	<u>859,863</u>
LIABILITIES					
Current liabilities:					
Accounts payable	80,792	5,061	-	85,853	204,681
Accrued liabilities	8,588	9,263	-	17,851	-
Unearned revenue	73,190	-	-	73,190	-
Deposits payable	20,208	-	-	20,208	-
Compensated absences	15,376	-	-	15,376	5,507
Advances from other funds	310,000	-	-	310,000	132,760
Claims and judgements	-	-	-	-	718,308
Total current liabilities	<u>508,154</u>	<u>14,324</u>	<u>-</u>	<u>522,478</u>	<u>1,061,256</u>
Noncurrent liabilities:					
Compensated absences	61,504	-	-	61,504	22,030
Claims and judgements	-	-	-	-	2,873,232
Net pension liability	942,090	1,254,401	-	2,196,491	2,189,120
Total noncurrent liabilities	<u>1,003,594</u>	<u>1,254,401</u>	<u>-</u>	<u>2,257,995</u>	<u>5,084,382</u>
Total liabilities	<u>1,511,748</u>	<u>1,268,725</u>	<u>-</u>	<u>2,780,473</u>	<u>6,145,638</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related	<u>7,917</u>	<u>29,310</u>	<u>-</u>	<u>37,227</u>	<u>66,024</u>
NET POSITION					
Net investment in capital assets	7,835,346	2,199,203	-	10,034,549	1,193,627
Unrestricted	<u>(303,288)</u>	<u>1,680,807</u>	<u>101,490</u>	<u>1,479,009</u>	<u>(4,211,893)</u>
Total net position (deficit)	<u>\$ 7,532,058</u>	<u>\$ 3,880,010</u>	<u>\$ 101,490</u>	<u>\$ 11,513,558</u>	<u>\$ (3,018,266)</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, 2017**

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Sales and service charges	\$ 809,870	\$ 1,415,855	\$ 32,511	\$ 2,258,236	\$ 7,877,520
Intergovernmental	99,118	-	-	99,118	-
Miscellaneous	5,874	-	-	5,874	55,503
Total operating revenues	<u>914,862</u>	<u>1,415,855</u>	<u>32,511</u>	<u>2,363,228</u>	<u>7,933,023</u>
OPERATING EXPENSES					
Administration and general	644,365	604,363	-	1,248,728	1,564,228
Materials and supplies	19,419	27,764	-	47,183	367,402
Contractual services	84,774	151,717	-	236,491	5,896,111
Cost of sales and services	35,830	76,671	-	112,501	-
Depreciation	347,052	72,500	-	419,552	360,298
Total operating expenses	<u>1,131,440</u>	<u>933,015</u>	<u>-</u>	<u>2,064,455</u>	<u>8,188,039</u>
Change in Net Position	(216,578)	482,840	32,511	298,773	(255,016)
NET POSITION					
Net Position (Deficit), Beginning	<u>7,748,636</u>	<u>3,397,170</u>	<u>68,979</u>	<u>11,214,785</u>	<u>(2,763,250)</u>
Net Position (Deficit), Ending	<u>\$ 7,532,058</u>	<u>\$ 3,880,010</u>	<u>\$ 101,490</u>	<u>\$ 11,513,558</u>	<u>\$ (3,018,266)</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, 2017

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities Internal Service Funds
Cash flows from operating activities					
Cash received from customers and users	\$ 952,326	\$ 1,459,606	\$ 32,261	\$ 2,444,193	\$ 7,950,670
Cash paid to suppliers for goods and services	(253,487)	(300,577)	-	(554,064)	(5,277,257)
Cash paid to employees for services	(491,582)	(609,630)	-	(1,101,212)	(1,065,144)
Net cash provided by operating activities	<u>207,257</u>	<u>549,399</u>	<u>32,261</u>	<u>788,917</u>	<u>1,608,269</u>
Cash flows from noncapital financing activities					
Cash paid to other funds	-	-	-	-	(663,801)
Cash received from other funds	-	23,139	-	23,139	26,105
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>23,139</u>	<u>-</u>	<u>23,139</u>	<u>(637,696)</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	-	(10,187)	-	(10,187)	(312,983)
Net cash used for capital and related financing activities	<u>-</u>	<u>(10,187)</u>	<u>-</u>	<u>(10,187)</u>	<u>(312,983)</u>
Net increase in cash and cash equivalents	<u>207,257</u>	<u>562,351</u>	<u>32,261</u>	<u>801,869</u>	<u>657,590</u>
Cash and cash equivalents, beginning of year	<u>580,208</u>	<u>1,821,598</u>	<u>68,979</u>	<u>2,470,785</u>	<u>150,381</u>
Cash and cash equivalents, end of year	<u>\$ 787,465</u>	<u>\$ 2,383,949</u>	<u>\$ 101,240</u>	<u>\$ 3,272,654</u>	<u>\$ 807,971</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (216,578)	\$ 482,840	\$ 32,511	\$ 298,773	\$ (255,016)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	347,052	72,500	-	419,552	360,298
Loss on disposal of capital assets	-	-	-	-	20,234
(Increase) decrease in operating assets:					
Accounts receivable	(60,852)	43,751	(250)	(17,351)	(2,587)
Interest receivable	25,126	-	-	25,126	-
Deferred outflows of resources	(297,579)	(383,879)	-	(681,458)	(692,673)
Increase (decrease) in operating liabilities:					
Accounts payable	61,685	(7,739)	-	53,946	93,271
Accrued liabilities	8,588	9,263	-	17,851	-
Due to other governments	-	-	-	-	(9,268)
Claims and judgements payable	-	-	-	-	1,484,623
Unearned revenue	73,190	-	-	73,190	-
Compensated absences	10,065	-	-	10,065	6,107
Net pension liability	320,796	378,107	-	698,903	648,338
Deferred inflows of resources	(64,236)	(45,444)	-	(109,680)	(45,058)
Total adjustments	<u>423,835</u>	<u>66,559</u>	<u>(250)</u>	<u>490,144</u>	<u>1,863,285</u>
Net cash provided by operating activities	<u>\$ 207,257</u>	<u>\$ 549,399</u>	<u>\$ 32,261</u>	<u>\$ 788,917</u>	<u>\$ 1,608,269</u>

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

City of Hawthorne

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017**

	Agency Fund	Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
Assets		
Cash and investments	\$ 3,733,379	\$ 1,665,362
Cash and investments with fiscal agents	5,946,086	1,288,794
Taxes receivable	29,631	-
Accounts receivable, net	745	-
Interest receivable	642	614
Total assets	\$ 9,710,483	2,954,770
Deferred Outflows of Resources		
Deferred amount on refunding		1,361,946
Liabilities		
Accounts payable	\$ 64,817	6,197
Accrued liabilities	621,000	2,346
Interest payable	-	482,393
Advances from City of Hawthorne	-	44,432,130
Deposits payable	2,212,904	-
Due to bondholders	4,279,478	-
Due to City of Hawthorne	2,532,284	5,181,634
Long-term liabilities:		
Due within one year	-	1,640,000
Due in more than one year	-	62,222,153
Total liabilities	\$ 9,710,483	113,966,853
Fiduciary Net Position (Deficit)		
Unrestricted net position (deficit)		\$ (109,650,137)

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, 2017**

	Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund
Revenues	
Taxes	\$ 4,470,341
Use of money and property	72,096
Total revenues	<u>4,542,437</u>
Expenses	
General government	2,569,290
Debt service:	
Interest and fiscal charges	2,282,572
Loss on sale of capital assets	701,819
Total expenses	<u>5,553,681</u>
Changes in net position	(1,011,244)
Net position (deficit) held in trust, beginning, as restated	<u>(108,638,893)</u>
Net position (deficit) held in trust, ending	<u><u>\$ (109,650,137)</u></u>

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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, 2017**

- 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, 2017**

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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

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

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

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

- *Agency Fund* - This fund accounts for money and property held by the City as trustee or custodian. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds account for assets held for specific uses that are not part of the City's operating activities; specifically, monies held by the City as an agent for property owners with special assessments and monies collected from individuals, private organizations or other governments who have made special deposits with the City for various purposes.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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

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

- *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.
- The *Storm Water Fund* accounts for the operation of the City's storm water 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, 2017**

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(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, 2017.

Assigned fund balance includes 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, 2017.

Unassigned fund balance is the residual classification for the City's fund balance and includes all spendable amounts not contained in the other classifications. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The General Fund is the only fund that reports a positive unassigned fund balance amount.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(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, 2017**

- 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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 five years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated acquisition value at the time of acquisition. 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, 2017**

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, 2017.

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, 2017**

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, 2017**

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, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

Implementation of New Accounting Pronouncements

The City adopted GASB Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. See Note 14 for additional information.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 29,394,638
Cash and investments with fiscal agents	1,387,122
Statement of fiduciary net position:	
Cash and investments	5,398,741
Cash and investments with fiscal agents	<u>7,234,880</u>
Total	<u>\$ 43,415,381</u>

Cash and investments at June 30, 2017, consisted of the following:

Cash and cash equivalents:	
Petty cash	\$ 2,896
Demand deposits - City	25,660,138
Demand deposits - Successor Agency	<u>2,077,586</u>
Total cash and cash equivalents	<u>27,740,620</u>
Investments:	
Local Agency Investment Fund	6,047,947
Negotiable Certificates of Deposit	1,004,811
Held by Bond Trustee	<u>8,622,003</u>
Total investments	<u>15,674,761</u>
Total	<u>\$ 43,415,381</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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

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, 2017**

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, 2017:

Investment Type	Amount	Minimum Legal Rating	AAA	Not Rated
External Investment Pools -				
Local Agency Investment Fund	\$ 6,047,947	N/A	\$ -	\$ 6,047,947
Negotiable Certificates of Deposits	1,004,811	N/A	1,004,811	-
Held by Bond Trustee:				
Money Market Mutual Funds	7,015,566		7,015,566	-
Investment Agreements	1,606,437	N/A	-	1,606,437
Total	\$ 15,674,761		\$ 8,020,377	\$ 7,654,384

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, 2017, the City deposits (bank balances) were collateralized under California Law.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

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, 2017, 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, 2017, 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	\$ 6,047,947	\$ -	\$ -	\$ 6,047,947
Negotiable Certificates of Deposits	1,004,811	-	-	1,004,811
Held by Bond Trustee:				-
Money Market Mutual Funds	7,015,566	-	-	7,015,566
Investment Agreements	-	-	1,606,437	1,606,437
Total Investments	<u>\$ 14,068,324</u>	<u>\$ -</u>	<u>\$ 1,606,437</u>	<u>\$ 15,674,761</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

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, 2017.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Negotiable Certificates of Deposit	\$ 1,004,811	\$ -	\$1,004,811	\$ -
Total Investments by Fair Value Level	1,004,811	\$ -	\$1,004,811	\$ -
Investments Measured at Net Asset Value (NAV):				
Local Agency Investment Fund	6,047,947			
Held by Bond Trustee:				
Money Market Mutual Funds	7,015,566			
Investment Agreements	1,606,437			
Total	\$ 15,674,761			

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

3) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2017:

Governmental activities:	Balance				Balance June 30, 2017
	June 30, 2016	Restatement*	Additions	Deletions	
Capital assets, not being depreciated:					
Land	\$ 9,045,120	\$ -	\$ 700,000	\$ -	\$ 9,745,120
Construction in progress	674,783	-	5,163,505	(1,663,093)	4,175,195
Total capital assets, not being depreciated	9,719,903	-	5,863,505	(1,663,093)	13,920,315
Capital assets, being depreciated:					
Structures and improvements	56,854,455	(1,695,000)	287,827	(5,000)	55,442,282
Machinery and equipment:					
City	19,798,116	-	1,035,677	-	20,833,793
Equipment replacement/vehicles	7,045,126	-	312,983	(316,021)	7,042,088
Parking Authority - structures	16,359,554	-	-	-	16,359,554
Infrastructure	131,002,469	-	1,663,093	-	132,665,562
Investment in joint venture (RCC)	6,651,457	-	96,353	(782,076)	5,965,734
Total capital assets, being depreciated	237,711,177	(1,695,000)	3,395,933	(1,103,097)	238,309,013
Less accumulated depreciation for:					
Structures and improvements	(26,541,953)	296,625	(1,491,305)	4,000	(27,732,633)
Machinery and equipment:					
City	(18,589,163)	-	(522,331)	-	(19,111,494)
Equipment replacement/vehicles	(5,783,950)	-	(360,298)	295,787	(5,848,461)
Parking Authority - structures	(15,765,973)	-	(370,837)	-	(16,136,810)
Infrastructure	(52,222,680)	-	(2,508,483)	-	(54,731,163)
Investment in joint venture (RCC)	(2,716,182)	-	(303,596)	782,076	(2,237,702)
Total accumulated depreciation	(121,619,901)	296,625	(5,556,850)	1,081,863	(125,798,263)
Total capital assets, being depreciated, net	116,091,276	(1,398,375)	(2,160,917)	(21,234)	112,510,750
Total governmental activities	\$ 125,811,179	\$ (1,398,375)	\$ 3,702,588	\$ (1,684,327)	\$ 126,431,065

* See restatement details at Note 16.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

3) CAPITAL ASSETS, (continued)

Business-type activities:	Balance	Reclassification	Additions	Deletions	Balance
	June 30, 2016				June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 37,314	\$ -	\$ -	\$ -	\$ 37,314
Construction in progress	1,026,222	(1,026,222)	-	-	-
Total capital assets, not being depreciated	1,063,536	(1,026,222)	-	-	37,314
Capital assets, being depreciated:					
Structures and improvements	1,993,888	1,026,222	-	-	3,020,110
Machinery and equipment	28,130	-	-	-	28,130
Infrastructure:					
Airport	10,723,022	-	-	-	10,723,022
Storm and sewer drain	12,986,919	-	10,187	-	12,997,106
Total capital assets, being depreciated	25,731,959	1,026,222	10,187	-	26,768,368
Less accumulated depreciation for:					
Structures and improvements	(1,697,827)	-	(78,987)	-	(1,776,814)
Machinery and equipment	(28,130)	-	-	-	(28,130)
Infrastructure:					
Airport	(3,900,221)	-	(268,074)	-	(4,168,295)
Storm and sewer drain	(10,725,403)	-	(72,491)	-	(10,797,894)
Total accumulated depreciation	(16,351,581)	-	(419,552)	-	(16,771,133)
Total capital assets, being depreciated, net	9,380,378	1,026,222	(409,365)	-	9,997,235
Total business-type activities	\$ 10,443,914	\$ -	\$ (409,365)	\$ -	\$ 10,034,549

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

Governmental Activities:	
General government	\$ 1,031,097
Public safety	1,390,176
Public works	2,537,329
Community development	69,481
Parks and recreation	168,469
Internal service fund-equipment replacement	360,298
Total depreciation expense – governmental activities	<u>\$ 5,556,850</u>
Business-type Activities:	
Structures and improvements	\$ 78,987
Infrastructure:	
Airport	268,074
Sewer and storm drain	72,491
Total depreciation expense – business-type activities	<u>\$ 419,552</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

3) CAPITAL ASSETS, (continued)

Assets acquired through capital lease are as follows:

Machinery and equipment	\$ 550,651
Less: Accumulated Depreciation	(110,130)
	<u>\$ 440,521</u>

4) INTERFUND ACTIVITY

The following represents the City's interfund activity for the fiscal year ended June 30, 2017.

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, 2017:

Interfund Balances

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 1,066,743	Non-Major Funds:	
		Community Development Block Grant	\$ 549,516
		California Office of Traffic Safety	53,733
		Urban Area Security Initiative Grant	128,275
		Hawthorne Housing Authority	18,835
		2009 Street Improvements	208,239
		Edward Byrne Memorial Justice Assistance Program	8,582
		State Gas Tax	45,122
		Sustainable Community Planning Grant	54,441
Totals	<u>\$ 1,066,743</u>		<u>\$ 1,066,743</u>

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

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

4) INTERFUND ACTIVITY, (continued)

Advances to/from Other Funds

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-Major Funds:		Non-Major Funds:	
Street	\$ 157,139	2016 Refunding Bonds	\$ 105,652
Hawthorne Housing Authority	81,273	Internal Service Fund:	
		Insurance Reserve	132,760
Internal Service Fund:		Enterprise Fund:	
Equipment Replacement	310,000	Airport	310,000
Totals	<u>\$ 548,412</u>		<u>\$ 548,412</u>

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, 2017, 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>\$ 44,432,130</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 \$44,432,130 (including \$24,857,275 of accrued interest) has been reserved as potentially uncollectible as of June 30, 2017.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

4) INTERFUND ACTIVITY, (continued)

Interfund Transfers

<u>Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major Fund:		
General	\$ -	\$ 959,313
Non-Major Funds:		
Gas Tax	-	1,800,000
Street	1,800,000	-
Public Financing Authority	724,533	-
2016 Refunding Bonds	234,780	-
	<u>\$ 2,759,313</u>	<u>\$ 2,759,313</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.

The transfer from the General Fund of \$959,313 to non-major funds consist of \$724,533 was the debt service on the 1997/2011 COP bonds and \$234,780 for the debt service 2016 refunding bonds.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

5) LONG-TERM DEBT

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Governmental Funds:					
Revenue bonds - 2011 Series A	\$ 4,279,930	\$ -	\$ (540,078)	\$ 3,739,852	\$ 561,602
SBRPCA 2007 Series B Bond	2,895,000	-	(2,895,000)	-	-
2016 Direct Placement Lease Financing	-	2,730,900	(143,350)	2,587,550	168,550
2016 Certificates of Participation	30,115,000	-	(1,540,000)	28,575,000	1,280,000
Plus (less) deferred amounts:					
Issuance premium	2,344,343	-	(162,951)	2,181,392	-
Issuance discount	(184,782)	-	74,311	(110,471)	-
Total bonds payable	<u>39,449,491</u>	<u>2,730,900</u>	<u>(5,207,068)</u>	<u>36,973,323</u>	<u>2,010,152</u>
Compensated absences	3,560,159	2,361,563	(1,812,203)	4,109,519	821,904
Net pension liability	76,350,064	20,437,000	-	96,787,064	-
Other post-employment benefits obligation	22,599,722	5,571,451	-	28,171,173	-
Capital leases payable	6,778	-	(6,778)	-	-
Capital lease payable-new	-	550,651	(67,758)	482,893	482,893
Loan payable - West Basin	43,691	-	(7,363)	36,328	7,745
Section 108 loan payable	3,175,000	-	(355,000)	2,820,000	355,000
Total Governmental Funds	<u>145,184,905</u>	<u>31,651,565</u>	<u>(7,456,170)</u>	<u>169,380,300</u>	<u>3,677,694</u>
Internal Service Funds:					
Claims and judgements	2,106,917	1,484,623	-	3,591,540	718,308
Compensated absences	21,430	15,824	(9,717)	27,537	5,507
Net pension liability	1,540,782	648,338	-	2,189,120	-
Total Internal Service Funds	<u>3,669,129</u>	<u>2,148,785</u>	<u>(9,717)</u>	<u>5,808,197</u>	<u>723,815</u>
Total Governmental Activities	<u>\$ 148,854,034</u>	<u>\$ 33,800,350</u>	<u>\$ (7,465,887)</u>	<u>\$ 175,188,497</u>	<u>\$ 4,401,509</u>
Business-Type Activities:					
Compensated absences	\$ 66,815	\$ 44,180	\$ (34,115)	\$ 76,880	\$ 15,376
Net pension liability	1,497,588	698,903	-	2,196,491	-
Total Business-type Activities	<u>\$ 1,564,403</u>	<u>\$ 743,083</u>	<u>\$ (34,115)</u>	<u>\$ 2,273,371</u>	<u>\$ 15,376</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

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
2018	\$ 561,602	\$ 159,505	\$ 721,107
2019	582,744	135,552	718,296
2020	608,203	110,698	718,901
2021	633,172	84,758	717,930
2022	662,628	57,754	720,382
2023	691,503	14,747	706,250
Total	<u>\$ 3,739,852</u>	<u>\$ 563,014</u>	<u>\$ 4,302,866</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 bonds were paid in full in 2017 as part of the 2016 Direct Placement Lease Financing debt issuance.

2016 Direct Placement Lease Financing

In August 2016, the 2016 Direct Placement Lease Financing was issued in the amount of \$2,730,900 to currently refund \$2,755,000 in SBRPCA 2007 Series B Bonds. The bonds consisting of serial bonds maturing in annual installments of \$143,350 to \$233,450. The bonds bear interest at 2.650%.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

5) LONG-TERM DEBT, (continued)

2016 Direct Placement Lease Financing, (continued)

The 2016 Direct Placement Lease Financing is subject to optional redemption prior to maturity.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$62,192. The difference reported in the accompanying financial statements as a deferred outflow is being amortized through August 1, 2030 using the straight-line method of amortization. As a result of the current refunding, the City decreased its debt service cash flow by \$756,342, resulting in an economic gain of \$949,518 (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, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 168,550	\$ 28,344	\$ 196,894
2019	171,900	68,570	240,470
2020	180,100	64,104	244,204
2021	182,850	59,548	242,398
2022	190,500	54,776	245,276
2023-2027	1,017,900	1,189,661	2,207,561
2028-2030	675,750	711,958	1,387,708
Total	<u>\$ 2,587,550</u>	<u>\$ 2,176,961</u>	<u>\$ 4,764,511</u>

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 the reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund for the Certificates and (3) pay delivery costs incurred in connection with the execution, delivery, and sale of the Series A Certificates.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

5) LONG-TERM DEBT, (continued)

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

Series A Certificates, (continued)

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.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$454,359. The difference is reported in the accompanying financial statements as a deferred outflow and is being amortized through August 1, 2030 using the straight-line method of amortization. As a result of the current refunding, the City 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, 2017, are as follows:

Year Ending June 30,	Series A		Series B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	505,800	1,690,000	297,646	1,690,000	803,446
2023-2027	2,145,000	2,486,100	8,965,000	595,378	11,110,000	3,081,478
2028-2030	10,500,000	861,000	-	-	10,500,000	861,000
Total	<u>\$ 12,645,000</u>	<u>\$ 5,876,100</u>	<u>\$ 15,930,000</u>	<u>\$ 2,401,746</u>	<u>\$ 28,575,000</u>	<u>\$ 8,277,846</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

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 Post-Employment 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

The City has entered into a new 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, 2017:

Year Ending June 30	Amount
2018	\$ 522,854
Total Payments	522,854
Less: amount representing interest	39,961
Outstanding Principal, June 30, 2017	<u>\$ 482,893</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

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, 2017 was \$36,328. The total debt service requirements to maturity as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 7,745	\$ 1,739	\$ 9,484
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	\$ 36,328	\$ 4,550	\$ 40,878

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

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, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	355,000	72,762	427,762
2023-2025	<u>1,045,000</u>	<u>92,632</u>	<u>1,137,632</u>
Total	<u>\$ 2,820,000</u>	<u>\$ 661,597</u>	<u>\$ 3,481,597</u>

Claims and Judgments

As of June 30, 2017, 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, 2017, total estimated claims payable were \$3,591,540.

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, 2017, the bonds outstanding from these Community Facility Districts totaled \$8,870,000.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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, 2017, the bonds outstanding from this Community Facility District totaled \$3,195,000.

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, 2017, the bonds outstanding from this Community Facility District totaled \$12,280,000.

On March 5, 1999, the District issued the 1990-1 (Rosecrans Avenue/Ocean Gate Avenue Area) 1998 Special tax Refunding Bonds totaling \$8,990,000 to refund the Community Facilities District No. 1990-1 Special Tax Bonds. As of June 30, 2017, the bonds outstanding from this Community Facility District totaled \$1,395,000.

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, 2017, the Special Tax Refunding Bonds outstanding totaled \$2,490,000.

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, 2017

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, 2017 are presented below:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Investment in Capital Assets:			
Capital assets, net of accumulated depreciation	\$ 126,431,065	\$ 10,034,549	\$ 136,465,614
Less capital related debt balances:			
Bonds payable	(18,972,402)	-	(18,972,402)
Capital leases payable	(482,893)	-	(482,893)
Loans payable	(2,856,328)	-	(2,856,328)
Total Net Investment in Capital Assets	<u>104,119,442</u>	<u>10,034,549</u>	<u>114,153,991</u>
Restricted for:			
Public works	6,174,648	-	6,174,648
Public safety	1,400,432	-	1,400,432
Capital improvements	4,243,801	-	4,243,801
Debt service	1,776,572	-	1,776,572
Community development	4,086,416	-	4,086,416
Total Restricted	<u>17,681,869</u>	<u>-</u>	<u>17,681,869</u>
Unrestricted	<u>(114,897,815)</u>	<u>1,479,009</u>	<u>(113,418,806)</u>
Total	<u>\$ 6,903,496</u>	<u>\$ 11,513,558</u>	<u>\$ 18,417,054</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

8) RETIREMENT PLANS

A) General Information about the Pension Plans

Plan Descriptions

The Plans consist of an agent multiple-employer defined benefit pension plan and a public agency cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS).

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

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, 2015, 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.

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

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors one safety plan in safety risk pools. Benefit provisions under the Plan are established by State statute and the City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at www.calpers.ca.gov.

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.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

8) RETIREMENT PLANS, (continued)

A) General Information about the Pension Plans, (continued)

Benefits Provided, (continued)

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 the 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, 2017, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
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	10.351%	10.351%

	<u>Safety</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employee contribution rates	9.0%	12.25%
Required employer contribution rates	21.230%	12.821%

Employees Covered

At June 30, 2015 (valuation date), the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	305	214
Inactive employees entitled to but not yet receiving benefits	291	57
Active employees	196	97
Total	<u>792</u>	<u>368</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

8) RETIREMENT PLAN, (continued)

A) General Information about the Pension Plans, (continued)

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.

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 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. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2017, were \$3,304,427.

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

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. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2017, were \$4,092,276. The actual employer payments of \$3,638,229 made to CalPERS by the City during the measurement period ended June 30, 2016 differed from the City's proportionate share of the employer's contributions of \$4,932,530 by \$1,294,301, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B) Net Pension Liability

The City's net pension liability for the 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, 2016, using an annual actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

8) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%.
Inflation	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.65%.
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, 2015, 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 under Forms and Publications.

Change of Assumptions

There were no changes of assumptions.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

8) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

8) RETIREMENT PLANS, (continued)

B) Net Pension Liability, (continued)

Discount Rate, (continued)

The following table reflects 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 on July 1, 2015.

<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	20.0%	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	1.0%	(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, 2017**

8) RETIREMENT PLANS, (continued)

C) Proportionate Share of Net Pension Liability

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

The following table shows the Plan’s change in net pension liability over the measurement period.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2015 (VD)	\$ 174,783,895	\$ 136,757,973	\$ 38,025,922
Changes Recognized for the Measurement Period:			
• Service Cost	2,435,899		2,435,899
• Interest on the Total Pension Liability	13,024,281		13,024,281
• Changes of Benefit Terms			
• Changes of Assumptions			
• Differences between Expected and Actual Experience	(990,439)		(990,439)
• Plan to Plan Resource Movement			
• Contributions from the Employer		2,956,754	(2,956,754)
• Contributions from Employees		1,074,004	(1,074,004)
• Net Investment Income		700,955	(700,955)
• Benefit Payments, including Refunds of Employee Contributions	(9,518,736)	(9,518,736)	-
• Administrative Expense		(83,347)	83,347
Net Changes during 2015-16	4,951,005	(4,870,370)	9,821,375
Balance at: 6/30/2016 (MD)	\$ 179,734,900	\$ 131,887,603	\$ 47,847,297

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

8) RETIREMENT PLANS, (continued)

C) Proportionate Share of Net Pension Liability, (continued)

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

The following table shows the cost sharing, multiple-employer Plans’ proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2015 (VD)	\$ 190,456,434	\$ 149,093,922	\$ 41,362,512
Balance at: 6/30/2016 (MD)	196,078,535	142,753,157	53,325,378
Net Changes during 2015-16	5,622,101	(6,340,765)	11,962,866

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

The City’s net pension liability for each of the cost sharing, multiple-employer Plans is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, 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 under Forms and Publications, at www.calpers.ca.gov. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2015, and 2016, was as follows:

	<u>Safety</u>
Proportionate Share of NPL - June 30, 2015	1.00384%
Proportionate Share of NPL - June 30, 2016	1.02960%
Change - Increase	0.02576%

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2017

8) RETIREMENT PLANS, (continued)

C) Proportionate Share of Net Pension Liability (continued)

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

The following presents the City's proportionate share of the net pension liability of each Plan 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	\$ 71,140,612	\$ 47,847,297	\$ 28,606,250
Safety Plan's Net Pension Liability	\$ 79,941,793	\$ 53,325,378	\$ 31,476,028

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB Statement No. 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

8) RETIREMENT PLANS, (continued)

C) Proportionate Share of Net Pension Liability (continued)

Recognition of Gains and Losses, (continued)

The amortization period differs depending on the source of the gain or loss:

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

For the agent, multiple employer plan, 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). For the cost sharing, multiple employer plan, the EARSL is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost Sharing Multiple-Employer Plan (PERF C).

The EARSL for the miscellaneous agent plan for the June 30, 2016, measurement date is 2.4 years, which was obtained by dividing the total service years of 1,893 (the sum of remaining service lifetimes of the active employees) by 792 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. 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 PERF C for the measurement period ending June 30, 2016, is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

8) RETIREMENT PLANS, (continued)

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

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

As of the start of the measurement period (July 1, 2015), the net pension liability is \$38,025,922. For the measurement period ending June 30, 2016 (the measurement date), the City incurred a pension expense of \$1,922,018 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,435,899
Interest on the Total Pension Liability	13,024,281
Recognized Changes of Assumptions	(1,324,202)
Differences Between Expected and Actual Experience	(1,994,318)
Plan to Plan Resource Movement	-
Contributions - Employees	(1,074,004)
Projected Earnings on Pension Plan Investments	(10,212,563)
Recognized Differences Between Projected and Actual Earnings on Plan Investments	983,578
Administrative Expenses	83,347
Total Pension Expense	\$ 1,922,018

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

As of the start of the measurement period (July 1, 2015), the net pension liability for the safety plans is \$41,362,512. For the measurement period ending June 30, 2016 (the measurement date), the City incurred a pension expense of \$6,805,480 for the safety plan.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

8) RETIREMENT PLAN, (continued)

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

As of June 30, 2017, 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	\$ -	\$ (1,052,246)	\$ -	\$ (286,761)
Changes of Assumptions	-	(397,260)	-	(1,250,301)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	7,245,326	-	6,142,671	-
Change in Employer's Proportion	-	-	1,123,972	(544,824)
Difference in Actual vs Projected Contributions	-	-	-	(2,326,062)
Pension Contributions Subsequent to Measurement Date	3,304,427	-	4,092,276	-
	<u>\$ 10,549,753</u>	<u>\$ (1,449,506)</u>	<u>\$ 11,358,919</u>	<u>\$ (4,407,948)</u>

These amounts above are net of outflows and inflows recognized in the 2015-16 measurement period expense. The \$3,304,427 and \$4,092,276 reported as deferred outflows of resources related to the contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in upcoming fiscal year. 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, 2017	\$ (300,855)	\$ (1,052,922)
2018	818,503	(502,074)
2019	3,375,852	2,814,573
2020	1,902,320	1,599,118
2021	-	-
Thereafter	-	-

E) Payable to the Pension Plan

The City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

9) OTHER POST-EMPLOYMENT 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.

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

9) OTHER POST-EMPLOYMENT EMPLOYEE BENEFITS, (continued)

Funding Policy

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

The required contribution is based on a pay-as-you-go financing requirement with additional amounts to prefund benefits as determined by the City under an actuarial valuation. For fiscal year 2016-2017, the annual required contribution (ARC) was \$8,636,000, 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 2016-2017, the City paid \$2,712,549 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)	\$ 8,636,000
Interest on net OPEB obligation	847,000
Adjustments to annual required contribution	<u>(1,199,000)</u>
Annual OPEB cost (expense)	8,284,000
Contributions made	<u>(2,712,549)</u>
Increase in net OPEB obligation	5,571,451
Net OPEB obligation - beginning of year	<u>22,599,722</u>
Net OPEB obligation - end of year	<u><u>\$ 28,171,173</u></u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

9) OTHER POST-EMPLOYMENT 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 2017 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
6/30/2015	\$ 8,402,000	22.54%	\$ 15,709,698
6/30/2016	8,902,000	22.60%	22,599,722
6/30/2017	8,284,000	32.74%	28,171,173

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, 2017**

9) OTHER POST-EMPLOYMENT 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, 2017, the Unfunded Actuarial Accrued Liability (UAAL) was \$102.8 million.

The funded status of the plan as of June 30, 2017, the plan's most recent actuarial valuation date, was:

Actuarial Accrued Liability (AAL)	\$	102,785,000
Actuarial Value Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	102,785,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)		-
Covered Payroll (Active Plan Members)	\$	19,071,000
UAAL as a Percentage of Covered Payroll		538.96%

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, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	21 Years as of the Valuation Date
Actuarial Assumptions:	
Investment Rate of Return	3.75%
Projected Salary Increase	3.00%
Health Care Trend Rate*	7.50%
Inflation Rate	2.75%

* 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, 2017

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 \$3,591,540 reported in the Insurance Reserve Fund at June 30, 2017, 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 2017 and 2016, were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payment</u>	<u>Ending Balances</u>
2015-2016	\$ 3,485,672	\$ (134,023)	\$(1,244,732)	\$ 2,106,917
2016-2017	2,106,917	3,080,317	(1,595,694)	3,591,540

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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 2016-2017, the City was assessed \$3,402,820, 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, 2017, SBRPCA's audited financial information is as follows:

Net Position	
Total assets	\$ 11,758,879
Total deferred outflows of resources	1,762,069
Total liabilities	8,224,530
Total deferred inflows of resources	<u>594,053</u>
Total net position	<u>\$ 4,702,365</u>
Change in Net Position	
Operating revenues	\$ 11,176,699
Operating expenses	<u>10,389,575</u>
Operating income	787,124
Nonoperating revenues (expenses)	<u>(656,303)</u>
Change in net position	130,821
Beginning net position	<u>4,571,544</u>
Ending net position	<u>\$ 4,702,365</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, 2017**

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.

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.

	<u>Governmental Activities Balance at June 30, 2017</u>
Deferred outflow of resources	
Unamortized loss on defeasance of debt	<u>\$ 545,220</u>

	<u>Governmental Activities Balance at June 30, 2017</u>
Deferred inflow of resources	
Unavailable Revenue - Receivables that were not received within the availability period and were not recognized as revenues	<u>\$ 5,480,169</u>

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, 2017

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, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Tax allocation bonds	\$ 31,590,000	\$ -	\$ (2,160,000)	\$ 29,430,000	\$ 1,640,000
Plus deferred amounts:					
Issuance premium	5,216,101	-	(248,386)	4,967,715	-
Total bonds payable	36,806,101	-	(2,408,386)	34,397,715	1,640,000
Notes payable	28,711,438	1,125,000	(372,000)	29,464,438	-
	<u>\$ 65,517,539</u>	<u>\$ 1,125,000</u>	<u>\$ (2,780,386)</u>	<u>\$ 63,862,153</u>	<u>\$ 1,640,000</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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

Disclosure of Successor Agency Debts, (continued)

Balance at
June 30, 2017

Tax Allocation Bonds

Hawthorne Plaza Project Area No. 1:

2001 Tax Allocation Refunding Bonds

The 2001 Tax Allocation Refunding Bonds bear interest ranging from 5.500% to 6.875% per annum and payable on March 1 and September 1. Principal payments ranging from \$295,000 to \$410,000 are due annually on September 1, beginning in the year 2003 through the year 2020.

\$ 1,490,000

Subtotal Hawthorne Plaza Project Area No. 1

1,490,000

Redevelopment Project Area 2:

2016 Tax Allocation Bonds

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%.

27,940,000

Subtotal Redevelopment Project Area 2:

27,940,000

Total Tax Allocation Bonds Payable

\$ 29,430,000

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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. 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, 2017:

2001 Tax Allocation Refunding Bonds

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 335,000	\$ 102,438	\$ 437,438
2019	360,000	79,406	439,406
2020	385,000	54,656	439,656
2021	410,000	28,188	438,188
Total	<u>\$ 1,490,000</u>	<u>\$ 264,688</u>	<u>\$ 1,754,688</u>

2016 Tax Allocation Bonds

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,560,000	1,079,250	2,639,250
2023 - 2027	7,190,000	4,203,750	11,393,750
2028 - 2032	5,980,000	2,685,250	8,665,250
2033 - 2037	7,635,000	991,125	8,626,125
Total	<u>\$ 27,940,000</u>	<u>\$ 13,978,575</u>	<u>\$ 41,918,575</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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

Disclosure of Successor Agency Debts, (continued)

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.

\$ 29,464,438

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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

Tax Abatements

The Community Redevelopment Agency of the City of Hawthorne (city) entered into an agreement with Oceangate Properties, Inc. on July 23, 2001. The Developer leases certain real property located at 13900 Hawthorne Boulevard on which the Developer operates a facility for the retail sale of new and used automobile and light trucks known as "South Bay Ford". At the time of the agreement the Developer will be the owner of certain real property ("Parcel 1") located in the City. Parcel 1 and the Hawthorne Boulevard Property were both located within the Hawthorne Redevelopment Project No. 2 in the City and are subject to the provisions of the Redevelopment Plan for the project adopted by the City Council of the City on November 26, 1984, by Ordinance No. 1330, as amended. In connection with the Owner Participation Agreement, as amended by the fifth implementation agreement dated April 12, 1999, hereinafter collectively referred to as the "OPA". In connection with the OPA, the Agency and the City entered into a cooperation and Loan agreement ("Cooperation Agreement"), pursuant to which the City agreed to make a loan to the Agency to be used by the Agency to make certain payments required by the OPA. Pursuant to the OPA, the site was subdivided into eight (8) parcels: Parcels 1, 2, 3, 4A, 4B, 5, 6A, and 6B. The Developer and the Agency have entered into a "Sixth Implementation Agreement" which amends and restates the provisions of the OPA governing the redevelopment of Parcel 1, and the City and the Agency have entered into a Revised Cooperation and Loan Agreement revising the provisions of the Cooperation Agreement with respect to Parcel 1 only. Pursuant to the Sixth Implementation Agreement, the Developer intends to develop a facility for the retail sale and/or leasing of new automobiles and/or light trucks on Parcel 1 and relocate the Developer's new car sales operations to Parcel 1. The Developer further intends to continue to use the Hawthorne Boulevard Property for the sale of used vehicles and for service, parts and warranty purposes.

In connection with the sale of Parcel 1 to the Developer, the Developer's immediate predecessor in interest, Mission-Oceangate, a California general Partnership ("Mission"), has assigned to the Developer its right to receive periodic payments of "Sales Tax Generation" and "Net Tax Increment" from Parcels 2-6 as defined in the revised method of financing to the first implementation. In addition, Mission has assigned to the Developer its right to receive periodic payments of "Mello-Roos Reimbursement" from Parcel 1. The thirty (30) year term for the Agency's payment of Net Tax Increment to the Developer commenced on July 1, 1992, and will terminate on September 30, 2022. The thirty (30) year term for the payment of Sales Tax Generation to the Developer commenced on July 1, 1992 and will terminate on July 1, 2022.

Payments of Parcel 1 Net Tax Increment Revenue shall be made annually in arrears on or before September 30 of each fiscal year. Payments of Parcel 1 Apportioned Sales Tax Generation shall be made quarterly in arrears, on October 1 (for the first quarter of the calendar year), January 1 (for the second quarter of the preceding calendar year), April 1 (for the third quarter of the preceding year) and July 1 (for the fourth quarter of the preceding calendar year).

**Notes to Basic Financial Statements
For the Year Ended June 30, 2017**

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

Tax Abatements, (continued)

Payments of Parcel 1 Apportioned Sales Tax Generation attributable to leasing activity shall be made annually in arrears on July 1 (for the preceding year), provided, however, that if the Developer is able to document to the Agency's satisfaction on a quarterly basis the amount of Parcel 1 Apportioned Sales Tax Generation attributable to leasing activity, then such payments attributable to leasing activity shall be made at the same time (on a quarterly basis) as other payments of Parcel 1 Apportioned Sales Tax Generation.

Parcel 1 Net Tax Increment Revenue shall be paid to the Agency pursuant to California Health and Safety Code Section 33670(b) that is attributable to assessed value of Parcel 1 in excess of \$8,240,000 less any portion of such Parcel 1 Net Tax Increment Revenues required to be deposited in the Agency's Low and Moderate Income Housing Fund.

Parcel 1 Apportioned Sales Tax Generation shall be defined as an amount equal to the applicable portion of tax revenues actually received by the City from the application of Bradley-Burns Local Sales and Use Tax Law on the privilege of selling and leasing tangible personal property at retail on transactions occurring on Parcel 1 and cannot exceed the sum of the Parcel 1 Apportioned Sales Tax Generation Annual Cap and carry over payment.

15) OTHER REQUIRED DISCLOSURES

Deficit in Fund Equity

The following funds have deficits in fund balance or net position at June 30, 2017:

Fund	Amount
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Gas Tax	\$ (108,366)
California Office of Traffic Safety	(31,402)
Edward Byrne Memorial Justice Assistance Program	(8,582)
Sustainable Community Planning Grant	(54,441)
Community Development Block Grant	(316,875)
Debt Service Fund:	
2016 Refunding Bonds	(105,549)
Internal Service Fund:	
Insurance Reserve	(4,735,060)

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, 2017**

16) PRIOR PERIOD RESTATEMENT

Fund Statements

During fiscal year 2016-17, a prior period adjustment was needed to correct the beginning fund balance in the Private Purpose Trust Fund. The amount of adjustment affecting the cumulative results of operations was due to error occurred in previous years.

Private Purpose Trust Fund

Fund balance, beginning, as previously reported	\$ (110,037,268)
Prior period adjustment	<u>1,398,375</u>
Fund balance, beginning, as restated	<u><u>\$ (108,638,893)</u></u>

A prior period adjustment of a net effect of \$1,398,375, comprised of structures and improvements that were improperly recorded in Governmental Activities in previous years.

Government Wide Statements

Governmental Activities:

Net position - beginning, as previously reported	\$ 9,866,612
Prior period adjustment	<u>(1,398,375)</u>
Net position - beginning, as restated	<u><u>\$ 8,468,237</u></u>

The prior period adjustment for Governmental Statements is due to structures and improvements, net in the amount of (\$1,398,375) that were improperly recorded in Governmental Activities in previous years.

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**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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 51,870,036	\$ 50,870,036	\$ 55,180,459	\$ 4,310,423
Licenses and permits	1,849,362	2,299,362	2,319,450	20,088
Intergovernmental	1,491,736	1,581,955	1,480,529	(101,426)
Charges for services	1,915,519	2,104,460	2,207,007	102,547
Fines and forfeitures	2,730,000	2,730,000	2,793,356	63,356
Use of money and property	20,000	20,000	15,485	(4,515)
Contributions	616,327	669,327	570,469	(98,858)
Miscellaneous	1,477,500	2,176,637	2,314,654	138,017
Total revenues	<u>61,970,480</u>	<u>62,451,777</u>	<u>66,881,409</u>	<u>4,429,632</u>
Expenditures				
Current:				
General government:				
Mayor and city council	4,197,330	4,025,432	5,840,654	(1,815,222)
City clerk	141,047	141,047	145,892	(4,845)
City manager	753,914	753,914	419,863	334,051
City treasurer	33,991	33,991	31,742	2,249
City attorney	426,749	426,749	398,214	28,535
Administrative services	1,565,429	1,577,329	2,532,145	(954,816)
Public safety:				
Police	35,502,133	35,546,511	35,016,537	529,974
Fire services contract	9,902,816	9,802,816	9,795,421	7,395
Community development:				
Planning	1,299,120	1,334,120	1,377,042	(42,922)
Building and safety	977,231	977,231	897,130	80,101
Parks and recreation	3,701,274	3,734,162	3,654,856	79,306
Public works	2,961,734	2,969,434	2,672,931	296,503
Capital outlay	320,014	1,028,948	1,001,916	27,032
Total expenditures	<u>61,782,782</u>	<u>62,351,684</u>	<u>63,784,343</u>	<u>(1,432,659)</u>
Excess of revenues over expenditures	<u>187,698</u>	<u>100,093</u>	<u>3,097,066</u>	<u>2,996,973</u>
Other Financing Sources (Uses)				
Acquisition under capital leases	550,651	550,651	550,651	-
Transfers out	(700,915)	(959,313)	(959,313)	-
Total other financing sources (uses)	<u>(150,264)</u>	<u>(408,662)</u>	<u>(408,662)</u>	<u>-</u>
Net change in fund balance	37,434	(308,569)	2,688,404	2,996,973
Fund balance, beginning of year	<u>13,980,810</u>	<u>13,980,810</u>	<u>13,980,810</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,018,244</u>	<u>\$ 13,672,241</u>	<u>\$ 16,669,214</u>	<u>\$ 2,996,973</u>

Required Supplementary Information
Major Special Revenue Funds

Major Special Revenue Fund

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.

City of Hawthorne

Budgetary Comparison Schedule Housing Asset For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 655,893	\$ 655,893	\$ 705,996	\$ 50,103
Use of money and property	351,142	351,142	340,986	(10,156)
Miscellaneous	1,000	1,000	-	(1,000)
Total revenues	<u>1,008,035</u>	<u>1,008,035</u>	<u>1,046,982</u>	<u>38,947</u>
Expenditures				
Current:				
Community development	<u>347,608</u>	<u>347,608</u>	<u>338,338</u>	<u>9,270</u>
Total expenditures	<u>347,608</u>	<u>347,608</u>	<u>338,338</u>	<u>9,270</u>
Net change in fund balance	660,427	660,427	708,644	48,217
Fund balance, beginning	<u>2,260,912</u>	<u>2,260,912</u>	<u>2,260,912</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,921,339</u>	<u>\$ 2,921,339</u>	<u>\$ 2,969,556</u>	<u>\$ 48,217</u>

City of Hawthorne

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

Miscellaneous Plan

Measurement Period	2013-14	2014-15	2015-16
TOTAL PENSION LIABILITY			
Service Cost	\$ 2,388,303	\$ 2,320,007	\$ 2,435,899
Interest	12,438,551	12,647,730	13,024,281
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	-	(3,637,760)	(990,439)
Changes of Assumptions	-	(3,045,664)	-
Benefit Payments, Including Refunds of Employee Contributions	(8,546,377)	(8,707,272)	(9,518,736)
Net Change in Total Pension Liability	6,280,477	(422,959)	4,951,005
Total Pension Liability - Beginning	168,926,377	175,206,854	174,783,895
Total Pension Liability - Ending (a)	\$ 175,206,854	\$ 174,783,895	\$ 179,734,900
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 2,197,052	\$ 2,628,948	\$ 2,956,754
Contributions - Employee Paid Member Contributions	-	-	-
Contributions - Employee	1,118,891	1,100,494	1,074,004
Net Investment Income	20,960,975	3,019,296	700,955
Benefit Payments, Including Refunds of Employee Contributions	(8,546,377)	(8,707,272)	(9,518,736)
Plan to Plan Resource Movement	-	(36,608)	-
Administrative Expenses	-	(154,341)	(83,347)
Net Change in Fiduciary Net Position	15,730,541	(2,149,483)	(4,870,370)
Plan Fiduciary Net Position - Beginning	123,176,915	138,907,456	136,757,973
Plan Fiduciary Net Position - Ending (b)	\$ 138,907,456	\$ 136,757,973	\$ 131,887,603
Plan Net Position Liability - Ending (a) - (b)	\$ 36,299,398	\$ 38,025,922	\$ 47,847,297
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.28%	78.24%	73.38%
Covered Payroll	\$ 13,000,397	13,145,259	14,172,919
Plan Net Pension Liability as a Percentage of Covered Payroll	279.22%	289.27%	337.60%

* Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation, therefore, only three 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, 2015. 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: In 2016, there were no changes. In 2015 amounts reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Hawthorne

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

Miscellaneous Plan

	<u>Fiscal Year 2014-15</u>	<u>Fiscal Year 2015-16</u>	<u>Fiscal Year 2016-17</u>
Measurement Period			
Actuarially Determined Contribution	\$ 2,628,948	\$ 2,956,754	\$ 3,304,427
Contributions in Relation to the Actuarially Determined Contribution	(2,628,948)	(2,956,754)	(3,304,427)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 13,145,259	\$ 14,172,919	\$ 11,103,641
Contributions as a Percentage of Covered Payroll	20.00%	20.86%	29.76%

* Measurement period 2013-14 was the first year of implementation, therefore, only three years are presented.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment 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	Measurement Date 6/30/2016
Employer's Proportion of the Collective Net Pension Liability ¹	0.56329%	1.00384%	1.02960%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 35,050,308	\$ 41,362,512	\$ 53,325,378
Employer's Covered Payroll	\$ 9,859,032	\$ 9,229,395	\$ 8,569,976
Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Employer's Covered Payroll	355.51%	448.16%	622.23%
Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability	81.42%	78.28%	72.80%

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.

* Measurement date 6/30/2014 (fiscal year 2014-15) was the first year of implementation, therefore, only three 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	Fiscal Year 2016-17
Actuarially Determined Contribution	\$ 2,714,348	\$ 3,638,229	\$ 4,092,276
Contributions in Relation to the Actuarially Determined Contribution	(2,714,348)	(3,638,229)	(4,092,276)
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll	\$ 9,229,395	\$ 8,569,976	\$ 7,590,002
Contributions as a Percentage of Covered Payroll	29.41%	42.45%	53.92%

* Measurement period 2013-14 was the first year of implementation, therefore, only three years are presented.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: None

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]
6/1/2013	\$ -	\$ 49,687,089	\$ 49,687,089	0.00%	\$ 21,621,745	229.80%
6/30/2015	-	103,720,000	103,720,000	0.00%	20,404,000	508.33%
6/30/2017	-	102,785,000	102,785,000	0.00%	19,071,000	538.96%

City of Hawthorne

Notes to Required Supplementary Information June 30, 2017

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 HPRP, and Hawthorne Blvd. Mobility Improvement Program Special Revenue Funds.

Excess of Expenditures over Appropriations

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

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Major Governmental Fund			
General Fund:			
General government:			
Mayor and city council	\$ 4,025,432	\$ 5,840,654	\$ (1,815,222)
City clerk	141,047	145,892	(4,845)
Administrative services	1,577,329	2,532,145	(954,816)
Community development:			
Planning	1,334,120	1,377,042	(42,922)
Nonmajor Governmental Funds			
Special Revenue Funds:			
Gas Tax:			
Public Works	434,548	466,270	(31,722)
Asset Forfeiture:			
Public Safety	514,222	1,194,281	(680,059)
MTA Measure R			
Capital outlay	800,000	867,948	(67,948)

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SUPPLEMENTARY INFORMATION

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Non-Major Governmental Funds

Special Revenue 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 Fund 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 Proposition 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 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 California Beverage Container Recycling Fund is used to account for all the revenues and expenditures associated with grant funds received from the Department of Conservation. Program is funded by (CRV) California Redemption Value Funds.

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 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.

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

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.

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.

2016 Direct Placement Lease Financing Fund is used to account for the debt service on the 2016 Direct Placement Lease Financing.

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017**

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
ASSETS				
Cash and investments	\$ 15,356	\$ -	\$ 1,370,711	\$ 1,106,473
Cash with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	4,840	95,532
Taxes	16,382	-	4,797	-
Interest	11	41	552	-
Due from other governments	-	-	-	-
Advances to other funds	-	-	157,139	-
Total assets	<u>\$ 31,749</u>	<u>\$ 41</u>	<u>\$ 1,538,039</u>	<u>\$ 1,202,005</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 29,929	\$ 62,008	\$ 129,930	\$ 62,664
Accrued liabilities	1,567	1,277	17,835	13,887
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	45,122	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>31,496</u>	<u>108,407</u>	<u>147,765</u>	<u>76,551</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficits):				
Restricted	253	-	1,390,274	1,125,454
Unassigned	-	(108,366)	-	-
Total fund balances	<u>253</u>	<u>(108,366)</u>	<u>1,390,274</u>	<u>1,125,454</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 31,749</u>	<u>\$ 41</u>	<u>\$ 1,538,039</u>	<u>\$ 1,202,005</u>

(continued)

Special Revenue Funds					
COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	Urban Area Security Initiative Grant	MTA Measure R	Proposition A
\$ 260,116	\$ -	\$ 10,373	\$ -	\$ 1,108,814	\$ 716,869
-	-	-	-	-	-
-	23,734	-	128,275	-	-
4,355	-	-	-	-	-
129	-	5	-	495	380
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 264,600</u>	<u>\$ 23,734</u>	<u>\$ 10,378</u>	<u>\$ 128,275</u>	<u>\$ 1,109,309</u>	<u>\$ 717,249</u>
\$ -	\$ -	\$ -	\$ -	\$ 310	\$ 44,315
-	1,403	-	-	701	-
-	-	-	-	-	-
-	-	-	-	-	-
-	53,733	-	128,275	-	-
-	-	-	-	-	-
<u>-</u>	<u>55,136</u>	<u>-</u>	<u>128,275</u>	<u>1,011</u>	<u>44,315</u>
-	-	-	-	-	-
264,600	-	10,378	-	1,108,298	672,934
-	(31,402)	-	-	-	-
<u>264,600</u>	<u>(31,402)</u>	<u>10,378</u>	<u>-</u>	<u>1,108,298</u>	<u>672,934</u>
<u>\$ 264,600</u>	<u>\$ 23,734</u>	<u>\$ 10,378</u>	<u>\$ 128,275</u>	<u>\$ 1,109,309</u>	<u>\$ 717,249</u>

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017**

	Special Revenue Funds			
	Proposition C	Air Quality	California Used Oil Recycling	California Beverage Container Recycling
ASSETS				
Cash and investments	\$ 1,736,379	\$ 196,732	\$ 120,395	\$ 16,194
Cash with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	28,567	-	-
Taxes	-	-	-	-
Interest	792	97	54	8
Due from other governments	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	<u>\$ 1,737,171</u>	<u>\$ 225,396</u>	<u>\$ 120,449</u>	<u>\$ 16,202</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 208,005	\$ 650	\$ -	\$ -
Accrued liabilities	2,342	-	121	242
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>210,347</u>	<u>650</u>	<u>121</u>	<u>242</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficits):				
Restricted	1,526,824	224,746	120,328	15,960
Unassigned	-	-	-	-
Total fund balances	<u>1,526,824</u>	<u>224,746</u>	<u>120,328</u>	<u>15,960</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,737,171</u>	<u>\$ 225,396</u>	<u>\$ 120,449</u>	<u>\$ 16,202</u>

(continued)

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
\$ 894,436	\$ 15,153	\$ -	\$ -	\$ -	\$ 188,131
-	-	-	-	-	-
1,175,864	-	5,030	-	53,732	25,771
-	-	-	-	-	-
538	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,070,838</u>	<u>\$ 15,153</u>	<u>\$ 5,030</u>	<u>\$ -</u>	<u>\$ 53,732</u>	<u>\$ 213,902</u>
\$ 77,819	\$ -	\$ -	\$ -	\$ -	\$ -
531	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
208,239	-	8,582	-	54,441	-
-	-	-	-	-	-
<u>286,589</u>	<u>-</u>	<u>8,582</u>	<u>-</u>	<u>54,441</u>	<u>-</u>
230,678	-	5,030	-	53,732	-
1,553,571	15,153	-	-	-	213,902
-	-	(8,582)	-	(54,441)	-
<u>1,553,571</u>	<u>15,153</u>	<u>(8,582)</u>	<u>-</u>	<u>(54,441)</u>	<u>213,902</u>
<u>\$ 2,070,838</u>	<u>\$ 15,153</u>	<u>\$ 5,030</u>	<u>\$ -</u>	<u>\$ 53,732</u>	<u>\$ 213,902</u>

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017**

	Special Revenue Funds			Capital Projects Fund
	Community Development Block Grant	HOME Grant	Hawthorne Housing Authority	Development Impact
ASSETS				
Cash and investments	\$ -	\$ 153,595	481,780	\$ 4,027,996
Cash with fiscal agents	-	-	-	-
Receivables:				
Accounts	49,699	151,592	120,775	-
Taxes	-	-	-	-
Interest	-	-	-	1,903
Due from other governments	231,650	-	-	-
Advances to other funds	-	-	81,273	-
Total assets	<u>\$ 281,349</u>	<u>\$ 305,187</u>	<u>\$ 683,828</u>	<u>\$ 4,029,899</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 22,977	\$ 55,651	6,296	\$ -
Accrued liabilities	1,859	328	14,102	-
Unearned revenue	-	-	120,775	-
Deposits payable	17,897	-	-	-
Due to other funds	549,516	-	18,835	-
Advances from other funds	-	-	-	-
Total liabilities	<u>592,249</u>	<u>55,979</u>	<u>160,008</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>5,975</u>	<u>1,242</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits):				
Restricted	-	247,966	523,820	4,029,899
Unassigned	<u>(316,875)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(316,875)</u>	<u>247,966</u>	<u>523,820</u>	<u>4,029,899</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 281,349</u>	<u>\$ 305,187</u>	<u>\$ 683,828</u>	<u>\$ 4,029,899</u>

(continued)

Debt Service Funds			
Public Financing Authority	2016 Refunding Bonds	2016 Direct Placement Lease Financing	Total Nonmajor Governmental Funds
\$ 271,583	\$ -	\$ 117,709	\$ 12,808,795
1,387,093	29	-	1,387,122
-	-	-	1,863,411
-	-	-	25,534
130	74	57	5,266
-	-	-	231,650
-	-	-	238,412
<u>\$ 1,658,806</u>	<u>\$ 103</u>	<u>\$ 117,766</u>	<u>\$ 16,560,190</u>
\$ -	-	\$ -	\$ 700,554
-	-	-	56,195
-	-	-	120,775
-	-	-	17,897
-	-	-	1,066,743
-	105,652	-	105,652
<u>-</u>	<u>105,652</u>	<u>-</u>	<u>2,067,816</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>296,657</u>
1,658,806	-	117,766	14,820,932
-	(105,549)	-	(625,215)
<u>1,658,806</u>	<u>(105,549)</u>	<u>117,766</u>	<u>14,195,717</u>
<u>\$ 1,658,806</u>	<u>\$ 103</u>	<u>\$ 117,766</u>	<u>\$ 16,560,190</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2017**

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
Revenues				
Taxes	\$ 571,803	\$ 1,656,982	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	121,389	-	189,660	-
Charges for services	-	-	194,709	-
Fines and forfeitures	-	-	-	3,056,975
Use of money and property	11	693	1,950	512
Contributions	-	-	-	-
Miscellaneous	-	-	175,286	24,473
Total revenues	<u>693,203</u>	<u>1,657,675</u>	<u>561,605</u>	<u>3,081,960</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	1,194,281
Public works	660,604	466,270	2,162,038	-
Community development	-	-	-	-
Capital outlay	-	-	-	858,865
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>660,604</u>	<u>466,270</u>	<u>2,162,038</u>	<u>2,053,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,599</u>	<u>1,191,405</u>	<u>(1,600,433)</u>	<u>1,028,814</u>
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
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	32,599	(608,595)	199,567	1,028,814
Fund Balances (Deficit), Beginning	<u>(32,346)</u>	<u>500,229</u>	<u>1,190,707</u>	<u>96,640</u>
Fund Balances (Deficit), Ending	<u>\$ 253</u>	<u>\$ (108,366)</u>	<u>\$ 1,390,274</u>	<u>\$ 1,125,454</u>

(continued)

Special Revenue Funds					
COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	Urban Area Security Initiative Grant	MTA Measure R	Proposition A
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
177,258	115,441	-	151,847	995,303	1,599,509
-	-	-	-	-	11,220
-	-	-	-	-	-
493	-	22	-	2,741	1,393
-	-	-	-	-	-
-	-	-	261	-	-
<u>177,751</u>	<u>115,441</u>	<u>22</u>	<u>152,108</u>	<u>998,044</u>	<u>1,612,122</u>
-	-	-	-	-	-
100,000	62,714	-	-	-	-
-	-	-	-	159,705	1,272,878
-	-	-	-	-	-
-	14,500	-	-	867,948	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>100,000</u>	<u>77,214</u>	<u>-</u>	<u>-</u>	<u>1,027,653</u>	<u>1,272,878</u>
<u>77,751</u>	<u>38,227</u>	<u>22</u>	<u>152,108</u>	<u>(29,609)</u>	<u>339,244</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>77,751</u>	<u>38,227</u>	<u>22</u>	<u>152,108</u>	<u>(29,609)</u>	<u>339,244</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>
<u>\$ 264,600</u>	<u>\$ (31,402)</u>	<u>\$ 10,378</u>	<u>\$ -</u>	<u>\$ 1,108,298</u>	<u>\$ 672,934</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2017**

	Special Revenue Funds			
	Proposition C	Air Quality	California Used Oil Recycling	California Beverage Container Recycling
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,327,758	112,379	111,167	31,167
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	2,945	405	213	26
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,330,703</u>	<u>112,784</u>	<u>111,380</u>	<u>31,193</u>
Expenditures				
Current:				
General government	-	-	-	15,233
Public safety	-	-	-	-
Public works	977,887	-	-	-
Community development	-	103,976	8,725	-
Capital outlay	112,919	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>1,090,806</u>	<u>103,976</u>	<u>8,725</u>	<u>15,233</u>
Excess (deficiency) of revenues over (under) expenditures	<u>239,897</u>	<u>8,808</u>	<u>102,655</u>	<u>15,960</u>
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	239,897	8,808	102,655	15,960
Fund Balances (Deficit), Beginning	<u>1,286,927</u>	<u>215,938</u>	<u>17,673</u>	<u>-</u>
Fund Balances (Deficit), Ending	<u>\$ 1,526,824</u>	<u>\$ 224,746</u>	<u>\$ 120,328</u>	<u>\$ 15,960</u>

(continued)

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	103,474
5,073,702	-	-	573,532	41,044	-
-	-	-	-	-	-
-	-	-	-	-	-
1,598	-	-	-	-	-
303,151	-	-	-	-	-
11,353	-	-	-	-	-
<u>5,389,804</u>	<u>-</u>	<u>-</u>	<u>573,532</u>	<u>41,044</u>	<u>103,474</u>
-	-	-	-	-	-
-	-	5,030	-	-	-
5,193,452	-	-	-	-	-
-	-	-	-	60,965	-
-	-	-	-	-	13,940
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,193,452</u>	<u>-</u>	<u>5,030</u>	<u>-</u>	<u>60,965</u>	<u>13,940</u>
<u>196,352</u>	<u>-</u>	<u>(5,030)</u>	<u>573,532</u>	<u>(19,921)</u>	<u>89,534</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>196,352</u>	<u>-</u>	<u>(5,030)</u>	<u>573,532</u>	<u>(19,921)</u>	<u>89,534</u>
<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>\$ 1,553,571</u>	<u>\$ 15,153</u>	<u>\$ (8,582)</u>	<u>\$ -</u>	<u>\$ (54,441)</u>	<u>\$ 213,902</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2017**

	Special Revenue Funds			Capital Projects Fund
	Community Development Block Grant	HOME Grant	Hawthorne Housing Authority	Development Impact
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	112,547
Intergovernmental	941,043	283,241	8,919,617	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	151,213	123	8,412
Contributions	-	-	-	-
Miscellaneous	-	-	28,484	-
Total revenues	<u>941,043</u>	<u>434,454</u>	<u>8,948,224</u>	<u>120,959</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	532,292	284,482	9,043,309	100,804
Capital outlay	-	-	-	294,722
Debt service:				
Principal retirement	355,000	-	-	-
Interest and fiscal charges	59,727	-	-	-
Bond issuance costs	-	-	-	-
Total expenditures	<u>947,019</u>	<u>284,482</u>	<u>9,043,309</u>	<u>395,526</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,976)</u>	<u>149,972</u>	<u>(95,085)</u>	<u>(274,567)</u>
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(5,976)	149,972	(95,085)	(274,567)
Fund Balances (Deficit), Beginning	<u>(310,899)</u>	<u>97,994</u>	<u>618,905</u>	<u>4,304,466</u>
Fund Balances (Deficit), Ending	<u>\$ (316,875)</u>	<u>\$ 247,966</u>	<u>\$ 523,820</u>	<u>\$ 4,029,899</u>

(continued)

Debt Service Funds			
Public Financing Authority	2016 Refunding Bonds	2016 Direct Placement Lease Financing	Total
\$ -	\$ -	\$ -	\$ 2,228,785
-	-	-	216,021
-	-	-	20,765,057
-	-	-	205,929
-	-	-	3,056,975
644	171	429	173,994
-	-	-	303,151
288,484	2,549,501	-	3,077,842
<u>289,128</u>	<u>2,549,672</u>	<u>429</u>	<u>30,027,754</u>
4,824	-	204	20,261
-	-	-	1,362,025
-	-	-	10,892,834
-	-	-	10,134,553
-	-	-	2,162,894
540,078	1,540,000	3,038,350	5,473,428
171,022	654,820	94,620	980,189
-	-	108,692	108,692
<u>715,924</u>	<u>2,194,820</u>	<u>3,241,866</u>	<u>31,134,876</u>
<u>(426,796)</u>	<u>354,852</u>	<u>(3,241,437)</u>	<u>(1,107,122)</u>
-	-	2,730,900	2,730,900
724,533	234,780	-	2,759,313
-	-	-	(1,800,000)
<u>724,533</u>	<u>234,780</u>	<u>2,730,900</u>	<u>3,690,213</u>
297,737	589,632	(510,537)	2,583,091
<u>1,361,069</u>	<u>(695,181)</u>	<u>628,303</u>	<u>11,612,626</u>
<u>\$ 1,658,806</u>	<u>\$ (105,549)</u>	<u>\$ 117,766</u>	<u>\$ 14,195,717</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Street Lighting
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 575,000	\$ 575,000	\$ 571,803	\$ (3,197)
Intergovernmental	121,389	121,389	121,389	-
Use of money and property	-	-	11	11
Total revenues	<u>696,389</u>	<u>696,389</u>	<u>693,203</u>	<u>(3,186)</u>
Expenditures				
Current:				
Public works	<u>688,405</u>	<u>688,405</u>	<u>660,604</u>	<u>27,801</u>
Total expenditures	<u>688,405</u>	<u>688,405</u>	<u>660,604</u>	<u>27,801</u>
Net change in fund balance	7,984	7,984	32,599	24,615
Fund balance (deficit), beginning	<u>(32,346)</u>	<u>(32,346)</u>	<u>(32,346)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (24,362)</u>	<u>\$ (24,362)</u>	<u>\$ 253</u>	<u>\$ 24,615</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Gas Tax
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,259,399	\$ 2,259,399	\$ 1,656,982	\$ (602,417)
Use of money and property	800	800	693	(107)
Total revenues	<u>2,260,199</u>	<u>2,260,199</u>	<u>1,657,675</u>	<u>(602,524)</u>
Expenditures				
Current:				
Public works	<u>434,548</u>	<u>434,548</u>	<u>466,270</u>	<u>(31,722)</u>
Total expenditures	<u>434,548</u>	<u>434,548</u>	<u>466,270</u>	<u>(31,722)</u>
Excess of revenues over expenditures	<u>1,825,651</u>	<u>1,825,651</u>	<u>1,191,405</u>	<u>(634,246)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>-</u>
Net change in fund balance	25,651	25,651	(608,595)	(634,246)
Fund balance, beginning	<u>500,229</u>	<u>500,229</u>	<u>500,229</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 525,880</u>	<u>\$ 525,880</u>	<u>\$ (108,366)</u>	<u>\$ (634,246)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Street
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 172,071	\$ 172,071	\$ 189,660	\$ 17,589
Charges for services	190,000	190,000	194,709	4,709
Use of money and property	500	500	1,950	1,450
Miscellaneous	170,000	170,000	175,286	5,286
Total revenues	<u>532,571</u>	<u>532,571</u>	<u>561,605</u>	<u>29,034</u>
Expenditures				
Current:				
Public works	<u>2,294,038</u>	<u>2,427,038</u>	<u>2,162,038</u>	<u>265,000</u>
Total expenditures	<u>2,294,038</u>	<u>2,427,038</u>	<u>2,162,038</u>	<u>265,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,761,467)</u>	<u>(1,894,467)</u>	<u>(1,600,433)</u>	<u>294,034</u>
Other financing sources				
Transfers in	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
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	38,533	(94,467)	199,567	294,034
Fund balance, beginning	<u>1,190,707</u>	<u>1,190,707</u>	<u>1,190,707</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,229,240</u>	<u>\$ 1,096,240</u>	<u>\$ 1,390,274</u>	<u>\$ 294,034</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Asset Forfeiture
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 1,700,000	\$ 2,300,000	\$ 3,056,975	\$ 756,975
Use of money and property	300	300	512	212
Miscellaneous	-	-	24,473	24,473
Total revenues	<u>1,700,300</u>	<u>2,300,300</u>	<u>3,081,960</u>	<u>781,660</u>
Expenditures				
Current:				
Public safety	558,248	514,222	1,194,281	(680,059)
Capital outlay	200,000	874,133	858,865	15,268
Total expenditures	<u>758,248</u>	<u>1,388,355</u>	<u>2,053,146</u>	<u>(664,791)</u>
Net change in fund balance	942,052	911,945	1,028,814	116,869
Fund balance, beginning	<u>96,640</u>	<u>96,640</u>	<u>96,640</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,038,692</u>	<u>\$ 1,008,585</u>	<u>\$ 1,125,454</u>	<u>\$ 116,869</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
COPS
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 177,258	\$ 27,258
Use of money and property	100	100	493	393
Total revenues	<u>150,100</u>	<u>150,100</u>	<u>177,751</u>	<u>27,651</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	50,100	50,100	77,751	27,651
Fund balance, beginning	<u>186,849</u>	<u>186,849</u>	<u>186,849</u>	<u>-</u>
Fund balance, ending	<u>\$ 236,949</u>	<u>\$ 236,949</u>	<u>\$ 264,600</u>	<u>\$ 27,651</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, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 213,834	\$ 213,834	\$ 115,441	\$ (98,393)
Total revenues	<u>213,834</u>	<u>213,834</u>	<u>115,441</u>	<u>(98,393)</u>
Expenditures				
Current:				
Public safety	206,260	174,990	62,714	112,276
Capital outlay	5,000	14,500	14,500	-
Total expenditures	<u>211,260</u>	<u>189,490</u>	<u>77,214</u>	<u>112,276</u>
Net change in fund balance	2,574	24,344	38,227	13,883
Fund balance (deficit), beginning	<u>(69,629)</u>	<u>(69,629)</u>	<u>(69,629)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (67,055)</u>	<u>\$ (45,285)</u>	<u>\$ (31,402)</u>	<u>\$ 13,883</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, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 48,825	\$ 48,825	\$ -	\$ (48,825)
Use of money and property	-	-	22	22
Total revenues	<u>48,825</u>	<u>48,825</u>	<u>22</u>	<u>(48,803)</u>
Expenditures				
Capital outlay	<u>48,825</u>	<u>48,825</u>	-	48,825
Total expenditures	<u>48,825</u>	<u>48,825</u>	-	48,825
Net change in fund balance	-	-	22	22
Fund balance, beginning	<u>10,356</u>	<u>10,356</u>	<u>10,356</u>	-
Fund balance, ending	<u>\$ 10,356</u>	<u>\$ 10,356</u>	<u>\$ 10,378</u>	<u>\$ 22</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, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 168,242	\$ 168,242	\$ 151,847	\$ (16,395)
Miscellaneous	-	-	261	261
Total revenues	<u>168,242</u>	<u>168,242</u>	<u>152,108</u>	<u>(16,134)</u>
Expenditures				
Capital outlay	<u>150,000</u>	<u>150,000</u>	-	150,000
Total expenditures	<u>150,000</u>	<u>150,000</u>	-	150,000
Net change in fund balance	18,242	18,242	152,108	133,866
Fund balance (deficit), beginning	<u>(152,108)</u>	<u>(152,108)</u>	<u>(152,108)</u>	-
Fund balance (deficit), ending	<u>\$ (133,866)</u>	<u>\$ (133,866)</u>	<u>\$ -</u>	<u>\$ 133,866</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, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 999,075	\$ 999,075	\$ 995,303	\$ (3,772)
Use of money and property	500	500	2,741	2,241
Total revenues	<u>999,575</u>	<u>999,575</u>	<u>998,044</u>	<u>(1,531)</u>
Expenditures				
Current:				
Public works	222,970	222,970	159,705	63,265
Capital outlay	800,000	800,000	867,948	(67,948)
Total expenditures	<u>1,022,970</u>	<u>1,022,970</u>	<u>1,027,653</u>	<u>(4,683)</u>
Net change in fund balance	(23,395)	(23,395)	(29,609)	(6,214)
Fund balance, beginning	<u>1,137,907</u>	<u>1,137,907</u>	<u>1,137,907</u>	-
Fund balance, ending	<u>\$ 1,114,512</u>	<u>\$ 1,114,512</u>	<u>\$ 1,108,298</u>	<u>\$ (6,214)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Proposition A
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,493,077	\$ 1,493,077	\$ 1,599,509	\$ 106,432
Charges for services	13,000	13,000	11,220	(1,780)
Use of money and property	100	100	1,393	1,293
Total revenues	<u>1,506,177</u>	<u>1,506,177</u>	<u>1,612,122</u>	<u>105,945</u>
Expenditures				
Current:				
Public works	<u>1,341,060</u>	<u>1,345,060</u>	<u>1,272,878</u>	<u>72,182</u>
Total expenditures	<u>1,341,060</u>	<u>1,345,060</u>	<u>1,272,878</u>	<u>72,182</u>
Net change in fund balance	165,117	161,117	339,244	178,127
Fund balance, beginning	<u>333,690</u>	<u>333,690</u>	<u>333,690</u>	<u>-</u>
Fund balance, ending	<u>\$ 498,807</u>	<u>\$ 494,807</u>	<u>\$ 672,934</u>	<u>\$ 178,127</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Proposition C
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,332,199	\$ 1,332,199	\$ 1,327,758	\$ (4,441)
Use of money and property	800	800	2,945	2,145
Total revenues	<u>1,332,999</u>	<u>1,332,999</u>	<u>1,330,703</u>	<u>(2,296)</u>
Expenditures				
Current:				
Public works	1,209,000	1,095,203	977,887	117,316
Capital outlay	-	113,797	112,919	878
Total expenditures	<u>1,209,000</u>	<u>1,209,000</u>	<u>1,090,806</u>	<u>118,194</u>
Net change in fund balance	123,999	123,999	239,897	115,898
Fund balance, beginning	<u>1,286,927</u>	<u>1,286,927</u>	<u>1,286,927</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,410,926</u>	<u>\$ 1,410,926</u>	<u>\$ 1,526,824</u>	<u>\$ 115,898</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Air Quality
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 112,379	\$ 12,379
Use of money and property	110	110	405	295
Total revenues	<u>100,110</u>	<u>100,110</u>	<u>112,784</u>	<u>12,674</u>
Expenditures				
Current:				
Community development	106,840	106,840	103,976	2,864
Total expenditures	<u>106,840</u>	<u>106,840</u>	<u>103,976</u>	<u>2,864</u>
Net change in fund balance	(6,730)	(6,730)	8,808	15,538
Fund balance, beginning	<u>215,938</u>	<u>215,938</u>	<u>215,938</u>	<u>-</u>
Fund balance, ending	<u>\$ 209,208</u>	<u>\$ 209,208</u>	<u>\$ 224,746</u>	<u>\$ 15,538</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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 111,167	\$ 89,167
Use of money and property	50	50	213	163
Total revenues	<u>22,050</u>	<u>22,050</u>	<u>111,380</u>	<u>89,330</u>
Expenditures				
Current:				
Community development	<u>15,717</u>	<u>15,717</u>	<u>8,725</u>	<u>6,992</u>
Total expenditures	<u>15,717</u>	<u>15,717</u>	<u>8,725</u>	<u>6,992</u>
Net change in fund balance	6,333	6,333	102,655	96,322
Fund balance, beginning	<u>17,673</u>	<u>17,673</u>	<u>17,673</u>	<u>-</u>
Fund balance, ending	<u>\$ 24,006</u>	<u>\$ 24,006</u>	<u>\$ 120,328</u>	<u>\$ 96,322</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
California Beverage Container Recycling
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 31,167	\$ 9,167
Use of money and property	-	-	26	26
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>31,193</u>	<u>9,193</u>
Expenditures				
Current:				
General government	17,264	17,264	15,233	2,031
Total expenditures	<u>17,264</u>	<u>17,264</u>	<u>15,233</u>	<u>2,031</u>
Net change in fund balance	4,736	4,736	15,960	11,224
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,736</u>	<u>\$ 4,736</u>	<u>\$ 15,960</u>	<u>\$ 11,224</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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 6,473,015	\$ 8,473,015	\$ 5,073,702	\$ (3,399,313)
Use of money and property	1,000	1,000	1,598	598
Contributions	380,000	380,000	303,151	(76,849)
Miscellaneous	-	-	11,353	11,353
Total revenues	<u>6,854,015</u>	<u>8,854,015</u>	<u>5,389,804</u>	<u>(3,464,211)</u>
Expenditures				
Current:				
Public works	6,251,612	8,251,612	5,193,452	3,058,160
Total expenditures	<u>6,251,612</u>	<u>8,251,612</u>	<u>5,193,452</u>	<u>3,058,160</u>
Net change in fund balance	602,403	602,403	196,352	(406,051)
Fund balance, beginning	<u>1,357,219</u>	<u>1,357,219</u>	<u>1,357,219</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,959,622</u>	<u>\$ 1,959,622</u>	<u>\$ 1,553,571</u>	<u>\$ (406,051)</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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 45,334	\$ 45,334	\$ -	\$ (45,334)
Total revenues	<u>45,334</u>	<u>45,334</u>	<u>-</u>	<u>(45,334)</u>
Expenditures				
Current:				
Public safety	<u>45,334</u>	<u>45,334</u>	<u>5,030</u>	<u>40,304</u>
Total expenditures	<u>45,334</u>	<u>45,334</u>	<u>5,030</u>	<u>40,304</u>
Net change in fund balance	-	-	(5,030)	(5,030)
Fund balance (deficit), beginning	<u>(3,552)</u>	<u>(3,552)</u>	<u>(3,552)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (3,552)</u>	<u>\$ (3,552)</u>	<u>\$ (8,582)</u>	<u>\$ (5,030)</u>

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 408,482	\$ 408,482	\$ 41,044	\$ (367,438)
Total revenues	<u>408,482</u>	<u>408,482</u>	<u>41,044</u>	<u>(367,438)</u>
Expenditures				
Current:				
Community development	408,482	408,482	60,965	347,517
Total expenditures	<u>408,482</u>	<u>408,482</u>	<u>60,965</u>	<u>347,517</u>
Net change in fund balance	-	-	(19,921)	(19,921)
Fund balance (deficit), beginning	<u>(34,520)</u>	<u>(34,520)</u>	<u>(34,520)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (34,520)</u>	<u>\$ (34,520)</u>	<u>\$ (54,441)</u>	<u>\$ (19,921)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
CATV Peg
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 100,000	\$ 100,000	\$ 103,474	\$ 3,474
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>103,474</u>	<u>3,474</u>
Expenditures				
Capital outlay	60,000	70,055	13,940	56,115
Total expenditures	<u>60,000</u>	<u>70,055</u>	<u>13,940</u>	<u>56,115</u>
Net change in fund balance	40,000	29,945	89,534	59,589
Fund balance, beginning	<u>124,368</u>	<u>124,368</u>	<u>124,368</u>	<u>-</u>
Fund balance, ending	<u>\$ 164,368</u>	<u>\$ 154,313</u>	<u>\$ 213,902</u>	<u>\$ 59,589</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Community Development Block Grant
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,477,972	\$ 1,477,972	\$ 941,043	\$ (536,929)
Total revenues	<u>1,477,972</u>	<u>1,477,972</u>	<u>941,043</u>	<u>(536,929)</u>
Expenditures				
Current:				
Community development	1,063,245	1,063,245	532,292	530,953
Debt service:				
Principal retirement	355,000	355,000	355,000	-
Interest and fiscal charges	<u>59,727</u>	<u>59,727</u>	<u>59,727</u>	<u>-</u>
Total expenditures	<u>1,477,972</u>	<u>1,477,972</u>	<u>947,019</u>	<u>530,953</u>
Net change in fund balance	-	-	(5,976)	(5,976)
Fund balance (deficit), beginning	<u>(310,899)</u>	<u>(310,899)</u>	<u>(310,899)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (310,899)</u>	<u>\$ (310,899)</u>	<u>\$ (316,875)</u>	<u>\$ (5,976)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
HOME Grant
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,032,151	\$ 1,032,151	\$ 283,241	\$ (748,910)
Use of money and property	-	-	151,213	151,213
Total revenues	<u>1,032,151</u>	<u>1,032,151</u>	<u>434,454</u>	<u>(597,697)</u>
Expenditures				
Current:				
Community development	<u>1,032,151</u>	<u>1,032,151</u>	<u>284,482</u>	<u>747,669</u>
Total expenditures	<u>1,032,151</u>	<u>1,032,151</u>	<u>284,482</u>	<u>747,669</u>
Net change in fund balance	-	-	149,972	149,972
Fund balance, beginning	<u>97,994</u>	<u>97,994</u>	<u>97,994</u>	<u>-</u>
Fund balance, ending	<u>\$ 97,994</u>	<u>\$ 97,994</u>	<u>\$ 247,966</u>	<u>\$ 149,972</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Hawthorne Housing Authority
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 15,509,129	\$ 15,509,129	\$ 8,919,617	\$ (6,589,512)
Use of money and property	-	-	123	123
Miscellaneous	40,000	40,000	28,484	(11,516)
Total revenues	<u>15,549,129</u>	<u>15,549,129</u>	<u>8,948,224</u>	<u>(6,600,905)</u>
Expenditures				
Current:				
Community development	15,505,474	15,505,474	9,043,309	6,462,165
Total expenditures	<u>15,505,474</u>	<u>15,505,474</u>	<u>9,043,309</u>	<u>6,462,165</u>
Net change in fund balance	43,655	43,655	(95,085)	(138,740)
Fund balance, beginning	<u>618,905</u>	<u>618,905</u>	<u>618,905</u>	<u>-</u>
Fund balance, ending	<u>\$ 662,560</u>	<u>\$ 662,560</u>	<u>\$ 523,820</u>	<u>\$ (138,740)</u>

City of Hawthorne

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Development Impact For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 500,000	\$ 500,000	\$ 112,547	\$ (387,453)
Use of money and property	2,000	2,000	8,412	6,412
Total revenues	<u>502,000</u>	<u>502,000</u>	<u>120,959</u>	<u>(381,041)</u>
Expenditures				
Current:				
Community development	200,804	200,804	100,804	100,000
Capital outlay	300,000	300,000	294,722	5,278
Total expenditures	<u>500,804</u>	<u>500,804</u>	<u>395,526</u>	<u>105,278</u>
Net change in fund balance	1,196	1,196	(274,567)	(275,763)
Fund balance, beginning	<u>4,304,466</u>	<u>4,304,466</u>	<u>4,304,466</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,305,662</u>	<u>\$ 4,305,662</u>	<u>\$ 4,029,899</u>	<u>\$ (275,763)</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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 100	\$ 100	\$ 644	\$ 544
Miscellaneous	-	-	288,484	288,484
Total revenues	<u>100</u>	<u>100</u>	<u>289,128</u>	<u>289,028</u>
Expenditures				
Current:				
General government	6,904	6,904	4,824	2,080
Debt service:				
Principal retirement	540,078	540,078	540,078	-
Interest and fiscal charges	219,154	219,154	171,022	48,132
Total expenditures	<u>766,136</u>	<u>766,136</u>	<u>715,924</u>	<u>50,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(766,036)</u>	<u>(766,036)</u>	<u>(426,796)</u>	<u>339,240</u>
Other Financing Sources				
Transfers in	<u>766,135</u>	<u>766,135</u>	<u>724,533</u>	<u>(41,602)</u>
Total other financing sources	<u>766,135</u>	<u>766,135</u>	<u>724,533</u>	<u>(41,602)</u>
Net change in fund balance	99	99	297,737	297,638
Fund balance, beginning	<u>1,361,069</u>	<u>1,361,069</u>	<u>1,361,069</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,361,168</u>	<u>\$ 1,361,168</u>	<u>\$ 1,658,806</u>	<u>\$ 297,638</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
2016 Refunding Bonds
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 171	\$ 171
Miscellaneous	-	-	2,549,501	2,549,501
Total revenues	-	-	2,549,672	2,549,672
Expenditures				
Debt service:				
Principal retirement	1,540,000	1,540,000	1,540,000	-
Interest and fiscal charges	712,068	712,068	654,820	57,248
Total expenditures	2,252,068	2,252,068	2,194,820	57,248
Excess (deficiency) of revenues over expenditures	(2,252,068)	(2,252,068)	354,852	2,606,920
Other Financing Sources				
Transfers in	2,556,912	2,556,912	234,780	(2,322,132)
Total other financing sources	2,556,912	2,556,912	234,780	(2,322,132)
Net change in fund balance	304,844	304,844	589,632	284,788
Fund balance (deficit), beginning	(695,181)	(695,181)	(695,181)	-
Fund balance (deficit), ending	\$ (390,337)	\$ (390,337)	\$ (105,549)	\$ 284,788

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
2016 Direct Placement Lease Financing
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 200	\$ 200	\$ 429	\$ 229
Total revenues	<u>200</u>	<u>200</u>	<u>429</u>	<u>229</u>
Expenditures				
Current:				
General government	5,304	5,304	204	5,100
Debt service:				
Principal retirement	3,038,350	3,038,350	3,038,350	-
Interest and fiscal charges	132,551	132,551	94,620	37,931
Bond issue cost	108,692	108,692	108,692	-
Total expenditures	<u>3,284,897</u>	<u>3,284,897</u>	<u>3,241,866</u>	<u>43,031</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,284,697)</u>	<u>(3,284,697)</u>	<u>(3,241,437)</u>	<u>43,260</u>
Other Financing Sources				
Proceeds from debt	2,730,900	2,730,900	2,730,900	-
Total other financing sources	<u>2,730,900</u>	<u>2,730,900</u>	<u>2,730,900</u>	<u>-</u>
Net change in fund balance	(553,797)	(553,797)	(510,537)	43,260
Fund balance, beginning	<u>628,303</u>	<u>628,303</u>	<u>628,303</u>	<u>-</u>
Fund balance, ending	<u>\$ 74,506</u>	<u>\$ 74,506</u>	<u>\$ 117,766</u>	<u>\$ 43,260</u>

City of Hawthorne

**Combining Statement of Net Position
Internal Service Funds
June 30, 2017**

ASSETS	Equipment Replacement	Insurance Reserve	Total
Current Assets:			
Cash and investments	\$ 807,971	\$ -	\$ 807,971
Receivables:			
Accounts	5,637	1,987	7,624
Advances to other funds	310,000	-	310,000
Inventories	14,311	-	14,311
Total current assets	<u>1,137,919</u>	<u>1,987</u>	<u>1,139,906</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,193,627	-	1,193,627
Total noncurrent assets	<u>1,193,627</u>	<u>-</u>	<u>1,193,627</u>
Total assets	<u>2,331,546</u>	<u>1,987</u>	<u>2,333,533</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	384,876	474,987	859,863
LIABILITIES			
Current liabilities:			
Accounts payable	69,640	135,041	204,681
Compensated absences	5,507	-	5,507
Advances from other funds	-	132,760	132,760
Claims and judgements	-	718,308	718,308
Total current liabilities	<u>75,147</u>	<u>986,109</u>	<u>1,061,256</u>
Noncurrent liabilities:			
Compensated absences	22,030	-	22,030
Claims and judgements	-	2,873,232	2,873,232
Net pension liability	883,808	1,305,312	2,189,120
Total noncurrent liabilities	<u>905,838</u>	<u>4,178,544</u>	<u>5,084,382</u>
Total liabilities	<u>980,985</u>	<u>5,164,653</u>	<u>6,145,638</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	18,643	47,381	66,024
NET POSITION			
Net investment in capital assets	1,193,627	-	1,193,627
Unrestricted	523,167	(4,735,060)	(4,211,893)
Total net position	<u>\$ 1,716,794</u>	<u>\$ (4,735,060)</u>	<u>\$ (3,018,266)</u>

City of Hawthorne

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2017**

	Equipment Replacement	Insurance Reserve	Total
OPERATING REVENUES			
Sales and service charges	\$ 2,267,916	\$ 5,609,604	\$ 7,877,520
Miscellaneous	55,503	-	55,503
Total operating revenues	<u>2,323,419</u>	<u>5,609,604</u>	<u>7,933,023</u>
OPERATING EXPENSES			
Administration and general	927,973	636,255	1,564,228
Materials and supplies	367,402	-	367,402
Contractual services	75,122	5,820,989	5,896,111
Depreciation	360,298	-	360,298
Total operating expenses	<u>1,730,795</u>	<u>6,457,244</u>	<u>8,188,039</u>
Change in net position	592,624	(847,640)	(255,016)
NET POSITION			
Net position (deficit), beginning	<u>1,124,170</u>	<u>(3,887,420)</u>	<u>(2,763,250)</u>
Net position (deficit), ending	<u>\$ 1,716,794</u>	<u>\$ (4,735,060)</u>	<u>\$ (3,018,266)</u>

City of Hawthorne

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017**

	Equipment Replacement	Insurance Reserve	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 2,341,555	\$ 5,609,115	\$ 7,950,670
Cash paid to suppliers for goods and services	(889,586)	(4,387,671)	(5,277,257)
Cash paid to employees for services	(507,501)	(557,643)	(1,065,144)
Net cash provided by operating activities	<u>944,468</u>	<u>663,801</u>	<u>1,608,269</u>
Cash flows from noncapital financing activities			
Cash paid to other funds	-	(663,801)	(663,801)
Cash received from other funds	26,105	-	26,105
Net cash provided by (used for) noncapital financing activities	<u>26,105</u>	<u>(663,801)</u>	<u>(637,696)</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(312,983)	-	(312,983)
Net cash used for capital and related financing activities	<u>(312,983)</u>	<u>-</u>	<u>(312,983)</u>
Net increase in cash and cash equivalents	657,590	-	657,590
Cash and cash equivalents, beginning of year	150,381	-	150,381
Cash and cash equivalents, end of year	<u>\$ 807,971</u>	<u>\$ -</u>	<u>\$ 807,971</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 592,624	\$ (847,640)	\$ (255,016)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	360,298	-	360,298
Loss on disposal of capital assets	20,234	-	20,234
(Increase) decrease in operating assets:			
Accounts receivable	(2,098)	(489)	(2,587)
Deferred outflows of resources	(318,724)	(373,949)	(692,673)
Increase (decrease) in operating liabilities:			
Accounts payable	7,168	86,103	93,271
Due to other governments	-	(9,268)	(9,268)
Claims and judgements payable	-	1,484,623	1,484,623
Compensated absences	6,107	-	6,107
Net pension liability	297,529	350,809	648,338
Deferred inflows of resources	(18,670)	(26,388)	(45,058)
Total adjustments	<u>351,844</u>	<u>1,511,441</u>	<u>1,863,285</u>
Net cash provided by operating activities	<u>\$ 944,468</u>	<u>\$ 663,801</u>	<u>\$ 1,608,269</u>

City of Hawthorne

Combining Statement of Assets and Liabilities Agency Funds June 30, 2017

	Community Facilities Districts	City Agency	Totals
Assets			
Cash and investments	\$ 1,459,292	\$ 2,274,087	\$ 3,733,379
Receivables:			
Taxes	29,631	-	29,631
Interest	642	-	642
Accounts, net	-	745	745
Restricted assets:			
Cash and investments with fiscal agents	5,946,086	-	5,946,086
Total assets	<u>\$ 7,435,651</u>	<u>\$ 2,274,832</u>	<u>\$ 9,710,483</u>
Liabilities			
Accounts payable	\$ 2,889	\$ 61,928	\$ 64,817
Accrued liabilities	621,000	-	621,000
Due to City of Hawthorne	2,532,284	-	2,532,284
Deposits payable	-	2,212,904	2,212,904
Due to bondholders	4,279,478	-	4,279,478
Total liabilities	<u>\$ 7,435,651</u>	<u>\$ 2,274,832</u>	<u>\$ 9,710,483</u>

City of Hawthorne

Combining Statement of Changes in Assets and Liabilities All Agency Funds For the Year Ended June 30, 2017

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
<u>Community Facilities Districts</u>				
Assets				
Cash and investments	\$ 714,287	\$ 5,578,057	\$ 4,833,052	\$ 1,459,292
Taxes receivable	24,226	29,632	24,227	29,631
Interest receivable	763	646	767	642
Restricted assets:				
Cash and investments with fiscal agents	6,022,434	5,809,960	5,886,308	5,946,086
Total Assets	\$ 6,761,710	\$ 11,418,295	\$ 10,744,354	\$ 7,435,651
Liabilities				
Accounts payable	\$ 251,613	\$ 65,969	\$ 314,693	\$ 2,889
Accrued liabilities	621,000	-	-	621,000
Due to City of Hawthorne	-	2,532,284	-	2,532,284
Due to bondholders	5,889,097	3,055,880	4,665,499	4,279,478
Total Liabilities	\$ 6,761,710	\$ 5,654,133	\$ 4,980,192	\$ 7,435,651
<u>City Agency</u>				
Assets				
Cash and investments	\$ 2,451,486	\$ 7,868,615	\$ 8,046,014	\$ 2,274,087
Accounts receivable, net	1,435	745	1,435	745
Total Assets	\$ 2,452,921	\$ 7,869,360	\$ 8,047,449	\$ 2,274,832
Liabilities				
Accounts payable	\$ 148,581	\$ 1,644,897	\$ 1,731,550	\$ 61,928
Deposits payable	2,304,340	7,569,359	7,660,795	2,212,904
Total Liabilities	\$ 2,452,921	\$ 9,214,256	\$ 9,392,345	\$ 2,274,832
<u>Combined Agency Funds</u>				
Assets				
Cash and investments	\$ 3,165,773	\$ 13,446,672	\$ 12,879,066	\$ 3,733,379
Accounts receivable, net	1,435	745	1,435	745
Taxes receivable	24,226	29,632	24,227	29,631
Interest receivable	763	646	767	642
Restricted assets:				
Cash and investments with fiscal agents	6,022,434	5,809,960	5,886,308	5,946,086
Total Assets	\$ 9,214,631	\$ 19,287,655	\$ 18,791,803	\$ 9,710,483
Liabilities				
Accounts payable	\$ 400,194	\$ 1,710,866	\$ 2,046,243	\$ 64,817
Accrued liabilities	621,000	-	-	621,000
Due to City of Hawthorne	-	2,532,284	-	2,532,284
Deposits payable	2,304,340	7,569,359	7,660,795	2,212,904
Due to bondholders	5,889,097	3,055,880	4,665,499	4,279,478
Total Liabilities	\$ 9,214,631	\$ 14,868,389	\$ 14,372,537	\$ 9,710,483

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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	143
<p>These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.</p>	
Revenue Capacity	153
<p>These schedules contain information to help the reader assess one of the City's most significant local revenue source, the property tax.</p>	
Debt Capacity	158
<p>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.</p>	
Demographic and Economic Information	165
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	
Operating Information	168
<p>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.</p>	

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			
	2008	2009	2010	2011
Governmental Activities:				
Net investment in capital assets	\$ 36,429,525	\$ 36,455,524	\$ 41,657,641	\$ 46,716,073
Restricted for:				
Community Services	2,698,099.00	3,223,283.00	3,323,796.00	15,074,542.00
Public Safety	1,449,379	1,352,447	724,352	129,753
Public Works	-	-	-	-
Capital Projects	4,756,452	5,069,136	5,955,329	8,456,744
Debt Service	5,169,025	5,872,890	4,713,060	1,273,778
Unrestricted	13,444,968	1,585,619	(11,361,593)	(23,069,320)
Total governmental activities net position	<u>63,947,448</u>	<u>53,558,899</u>	<u>45,012,585</u>	<u>48,581,570</u>
Business-type activities:				
Net investment in capital assets	3,236,321	9,495,342	11,476,850	11,100,190
Unrestricted	261,380	508,716	(1,598,865)	(1,643,921)
Total business-type activities net position	<u>3,497,701</u>	<u>10,004,058</u>	<u>9,877,985</u>	<u>9,456,269</u>
Primary Government:				
Net investment in capital assets	39,665,846	45,950,866	53,134,491	57,816,263
Restricted for:				
Community Services	2,698,099	3,223,283	3,323,796	15,074,542
Public Safety	1,449,379	1,352,447	724,352	129,753
Public Works	-	-	-	-
Capital Projects	4,756,452	5,069,136	5,955,329	8,456,744
Debt Service	5,169,025	5,872,890	4,713,060	1,273,778
Unrestricted	13,706,348	2,094,335	(12,960,458)	(24,713,241)
Total primary government net position	<u>\$ 67,445,149</u>	<u>\$ 63,562,957</u>	<u>\$ 54,890,570</u>	<u>\$ 58,037,839</u>

(continued)

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 49,953,731	\$ 47,629,536	\$ 88,248,555	\$ 98,764,480	\$ 98,816,219	\$ 104,119,442
13,337,436.00	23,633,197	24,107,637	6,983,229	3,211,422	4,086,416
197,710	238,528	154,050	205,942	293,845	1,400,432
-	-	-	-	5,821,832	6,174,648
2,608,932	2,633,641	3,459,998	4,028,388	4,428,834	4,243,801
550,756	1,765,455	1,746,659	1,751,788	1,989,372	1,776,572
48,281,467	37,773,141	2,718,192	(100,463,431)	(104,694,912)	(114,897,815)
<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>	<u>6,903,496</u>
10,727,192	10,495,271	10,883,092	\$ 10,761,597	\$ 10,443,914	\$ 10,034,549
(645,594)	334,901	1,060,109	(446,027)	770,871	1,479,009
<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>	<u>11,513,558</u>
60,680,923	58,124,807	99,131,647	109,526,077	109,260,133	114,153,991
13,337,436	23,633,197	24,107,637	6,983,229	3,211,422	4,086,416
197,710	238,528	154,050	205,942	293,845	1,400,432
-	-	-	-	5,821,832	6,174,648
2,608,932	2,633,641	3,459,998	4,028,388	4,428,834	4,243,801
550,756	1,765,455	1,746,659	1,751,788	1,989,372	1,776,572
47,635,873	38,108,042	3,778,301	(100,909,458)	(103,924,041)	(113,418,806)
<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>	<u>\$ 18,417,054</u>

City of Hawthorne

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

	Fiscal Year			
	2008	2009	2010	2011
Expenses:				
Governmental Activities:				
General government	\$ 14,077,030	\$ 18,362,846	\$ 17,791,458	\$ 13,528,644
Public safety	39,018,271	38,937,085	37,004,973	38,762,602
Community development	30,230,247	32,453,794	117,997,385	102,613,415
Parks and recreation	3,091,003	1,544,197	1,741,604	1,621,402
Public works	12,870,412	12,188,251	12,126,842	13,128,404
Interest on long-term debt	7,052,994	6,637,239	6,348,733	6,355,253
Total governmental activities expenses	<u>106,339,957</u>	<u>110,123,412</u>	<u>193,010,995</u>	<u>176,009,720</u>
Business-type activities:				
Airport	5,829,686	995,652	928,693	887,718
Sewer and storm drain	1,002,002.00	991,326.00	950,602.00	805,277.00
Total business-type activities expenses	<u>6,831,688</u>	<u>1,986,978</u>	<u>1,879,295</u>	<u>1,692,995</u>
Total primary government expenses	<u>113,171,645</u>	<u>112,110,390</u>	<u>194,890,290</u>	<u>177,702,715</u>
Program Revenues:				
Governmental Activities:				
General government	13,324,236	7,558,894	6,511,547	7,641,310
Public safety	5,661,581	6,110,770	5,489,825	4,840,868
Community development	35,992,785	31,206,065	93,457,240	100,419,432
Parks and recreation	1,868,958	991,727	698,277	693,891
Public works	9,164,584	4,054,024	8,990,453	11,167,336
Total governmental activities program revenues	<u>66,012,144</u>	<u>49,921,480</u>	<u>115,147,342</u>	<u>124,762,837</u>
Business-type activities:				
Airport	5,134,116	1,284,318	238,734	585,975
Sewer and storm drain	1,324,844	1,155,677	1,100,512	1,246,078
Total business-type activities program revenues	<u>6,458,960</u>	<u>2,439,995</u>	<u>1,339,246</u>	<u>1,832,053</u>
Total primary government program revenues	<u>72,471,104</u>	<u>52,361,475</u>	<u>116,486,588</u>	<u>126,594,890</u>
Net (expenses) revenues:				
Governmental activities	(40,327,813)	(60,201,932)	(77,863,653)	(51,246,883)
Business-type activities	<u>(372,728)</u>	<u>453,017</u>	<u>(540,049)</u>	<u>139,058</u>
Total primary government net (expenses)/revenues	<u>\$ (40,700,541)</u>	<u>\$ (59,748,915)</u>	<u>\$ (78,403,702)</u>	<u>\$ (51,107,825)</u>

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					
2012	2013	2014	2015	2016	2017
\$ 6,382,008	\$ 7,750,941	\$ 7,768,606	\$ 9,677,945	\$ 9,959,013	\$ 11,094,220
39,196,784	41,129,544	43,840,245	48,115,574	47,961,278	54,633,003
31,862,859	20,364,753	14,003,502	15,380,435	11,948,791	12,849,025
1,714,451	1,687,789	2,019,805	2,097,720	3,539,851	3,827,432
12,085,246	13,134,894	14,077,746	14,921,503	10,020,953	12,051,189
5,886,728	2,297,756	2,189,013	2,084,801	2,862,959	918,037
<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>	<u>95,372,906</u>
1,013,603	981,673	901,405	949,809	931,989	1,131,440
805,749.00	881,843.00	1,126,983.00	1,581,953	838,433	933,015
<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>2,064,455</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>	<u>97,437,361</u>
9,450,117	7,388,347	10,358,083	9,966,590	11,770,484	11,224,984
4,715,985	5,273,480	6,310,867	5,595,120	9,250,179	5,460,890
38,342,370	17,592,931	19,140,595	21,395,006	7,923,370	12,460,275
772,912	787,003	801,753	785,977	663,082	642,713
9,908,895	8,115,365	6,982,951	7,104,305	4,682,406	9,318,132
<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>	<u>39,106,994</u>
875,314	977,941	1,456,803	919,129	860,162	908,988
1,569,367	1,634,149	1,684,614	1,648,704	1,459,572	1,448,366
<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>2,357,354</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>	<u>41,464,348</u>
(33,937,797)	(47,208,551)	(40,304,668)	(47,430,980)	(52,003,324)	(56,265,912)
625,329	748,574	1,113,029	36,071	549,312	292,899
<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>	<u>\$ (55,973,013)</u>

City of Hawthorne

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

	Fiscal Year			
	2008	2009	2010	2011
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 21,640,687	\$ 25,721,569	\$ 24,583,033	\$ 25,832,453
Sales taxes	10,961,498	10,295,502	10,187,490	10,983,038
Transient occupancy taxes	2,311,391	1,937,184	1,916,962	2,017,281
Franchise taxes	1,922,966	2,048,950	1,881,614	1,805,767
Business License taxes	4,424,253	4,372,513	4,107,323	4,878,608
Utility users tax	6,611,305	7,081,679	6,714,303	6,996,505
Other taxes	204,281	257,931	223,331	356,411
Miscellaneous revenue	395,078	305,881	264,107.00	406,935
Use of money and property	1,672,331	1,383,145	662,160	978,096
Other	3,078,291	4,214,096	3,102,494	-
Transfers				560,774
Total governmental activities	<u>53,222,081</u>	<u>57,618,450</u>	<u>53,642,817</u>	<u>54,815,868</u>
Business-type activities:				
Use of money and property	391,870	413,976	413,976	-
Miscellaneous	-	-	-	-
Transfers	-	-	-	(560,774)
Total business-type activities	<u>391,870</u>	<u>413,976</u>	<u>413,976</u>	<u>(560,774)</u>
Total primary government	<u>53,613,951</u>	<u>58,032,426</u>	<u>54,056,793</u>	<u>54,255,094</u>
Change in Net Position:				
Governmental activities	12,894,268	(2,583,482)	(24,220,836)	3,568,985
Business-type activities	19,142	866,993	(126,073)	(421,716)
Total primary government	<u>\$ 12,913,410</u>	<u>\$ (1,716,489)</u>	<u>\$ (24,346,909)</u>	<u>\$ 3,147,269</u>

(continued)

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 14,499,970	\$ 15,011,710	\$ 13,767,847	\$ 15,582,864	\$ 14,693,230	\$ 17,000,228
11,907,391	12,928,878	13,103,430	14,521,823	14,721,975	16,856,609
2,393,034	2,680,392	2,765,262	3,357,279	4,806,401	5,200,111
1,705,681	1,767,044	1,801,311	1,833,145	1,809,159	1,724,565
5,072,563	4,901,207	4,962,181	4,947,687	6,419,659	5,615,982
6,689,440	6,737,474	6,954,818	6,842,540	6,667,384	6,613,873
137,620	249,778	21,086	115,589	-	-
90,807	38,244	176,333	159,031	1,060,219	1,649,614
1,299,405	25,340	13,993	9,017	69,833	40,189
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>54,701,171</u>
-	-	-	-	-	-
-	-	-	-	23,963	5,874
-	-	-	-	-	-
-	-	-	-	<u>23,963</u>	<u>5,874</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>	<u>54,707,045</u>
9,858,114	(2,868,484)	3,261,593	(62,005)	(1,755,464)	(1,564,741)
625,329	748,574	1,113,029	36,071	573,275	298,773
<u>\$ 10,483,443</u>	<u>\$ (2,119,910)</u>	<u>\$ 4,374,622</u>	<u>\$ (25,934)</u>	<u>\$ (1,182,189)</u>	<u>\$ (1,265,968)</u>

City of Hawthorne

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

	Fiscal Year			
	2008	2009	2010	2011
General Fund:				
Pre-GASB 54:				
Reserved for:				
encumbrances	\$ 133,638	\$ 333,976	\$ 101,884	
prepaid costs	673,721			
advances to other funds	20,124,856	20,124,856	20,124,856	
inventory	51,727	42,771	56,912	
Unreserved, undesignated	10,388,082	10,885,287	8,604,795	
GASB 54:				
Nonspendable				\$ 18,406,931
Unassigned				16,077,846
Total General Fund	<u>31,372,024</u>	<u>31,386,890</u>	<u>28,888,447</u>	<u>34,484,777</u>
All Other Governmental Funds:				
Pre-GASB 54:				
Reserved for:				
encumbrances	81,540	28,549	49,903	
prepaid costs	772,987	845,868	844,205	
advances to other funds				
land held for resale				
compensated absences	637,591	752,203	1,052,374	
capital projects		120,000	120,000	
Unreserved, reported in:				
Special revenue funds	2,728,521	2,817,765	942,806	
Capital projects funds	3,595,715	2,896,091	2,893,989	
Debt service funds	5,152,080	1,381,015.00	5,749,340.00	
Unreserved, designated for debt service		5,782,543.00		
Unreserved, undesignated	(65,872,602)	(70,825,891)	(56,671,929)	
GASB 54:				
Nonspendable				832,337
Restricted				8,697,995
Unassigned				(49,562,934)
Total all other governmental funds	<u>(52,904,168)</u>	<u>(56,201,857)</u>	<u>(45,019,312)</u>	<u>(40,032,602)</u>
Total governmental funds	<u>\$ (21,532,144)</u>	<u>\$ (24,814,967)</u>	<u>\$ (16,130,865)</u>	<u>\$ (5,547,825)</u>

(continued)

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 53,364	\$ 72,607	\$ 21,186	\$ 4,223,582	\$ 3,217,524	\$ 53,986
<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>16,615,228</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>	<u>16,669,214</u>
857,563				335,181	-
9,223,388	12,414,769	13,462,455	15,071,577	15,412,581	17,790,488
<u>71,528.00</u>	<u>(1,463,709.00)</u>	<u>(1,973,549)</u>	<u>(3,391,518)</u>	<u>(1,874,224)</u>	<u>(625,215)</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>17,165,273</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>	<u>\$ 33,834,487</u>

City of Hawthorne

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues:				
Taxes and special assessments	\$ 48,481,781	\$ 52,029,087	\$ 49,735,112	\$ 57,525,351
Licenses and permits	4,727,893	1,480,874	1,486,245	1,661,731
Intergovernmental	42,836,010	36,192,119	125,853,156	109,233,611
Charges for services	6,294,007	5,551,255	4,967,767	1,790,548
Fines and forfeitures	1,089,914	809,024	1,305,900	3,024,286
Use of money and property	2,706,617	3,185,374	2,861,172	5,041,498
Contributions	2,730,865	2,640,124	2,517,450	2,349,180
Miscellaneous	4,881,957	4,828,862	3,632,048	5,804,630
Total Revenues	113,749,044	106,716,719	192,358,850	186,430,835
Expenditures:				
Current:				
General government (2)	13,264,183	15,627,001	16,205,008	11,685,164
Public safety	36,685,591	36,800,346	36,958,393	36,594,120
Community development (2)	32,467,569	32,502,214	118,195,497	102,036,018
Parks and recreation	2,918,255	1,867,503	1,649,491	1,412,709
Public works	10,785,575	10,019,421	9,981,519	12,199,278
Capital outlay	3,460,575	4,573,481	7,339,197	5,590,203
Debt service:				
Principal retirement	3,426,092	3,602,165	3,585,337	8,611,765
Interest and fiscal charges	6,981,907	6,615,917	6,298,503	5,771,747
Cost of issuance				
Total expenditures	109,989,747	111,608,048	200,212,945	183,901,004
Excess/(deficiency) of Revenues Over Expenditures	3,759,297	(4,891,329)	(7,854,095)	2,529,831
Other financing sources (uses):				
Issuance of debt				
Gain on sale of land held for resale				
Premium on bonds issued				
Discount on bonds issued				
Payment to bond escrow agent				
Sale of capital assets				
Loan proceeds	1,125,000	1,215,500	1,125,000	1,125,000
Bond proceeds				6,367,436
Capital Lease proceeds				
Transfers in	10,009,164	6,878,687	8,723,679	12,767,509
Transfers out	(10,009,164)	(6,278,687)	(8,723,679)	(12,206,736)
Total other financing sources (uses)	1,125,000	1,815,500	1,125,000	8,053,209
Net Change in Fund Balances	\$ 4,884,297	\$ (3,075,829)	\$ (6,729,095)	\$ 10,583,040
Debt service as a percentage of noncapital expenditures	12.82%	11.79%	5.60%	9.11%

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					
2012	2013	2014	2015	2016	2017
\$ 47,939,202	\$ 49,001,010	\$ 48,842,096	\$ 52,613,639	\$ 54,107,964	\$ 58,115,240
1,275,321	2,696,368	2,988,845	3,890,427	2,291,930	2,535,471
39,277,118	23,735,974	18,331,224	26,682,989	16,469,698	22,245,586
1,979,901	1,981,251	2,241,294	2,170,626	2,500,544	2,412,936
2,439,989	2,978,968	3,424,944	3,527,228	3,934,011	5,850,331
1,308,719	447,973	373,828	446,438	471,056	530,465
1,079,694	1,810,060	301,155	365,361	188,206	873,620
6,920,074	3,777,822	6,605,953	6,793,843	5,279,485	5,392,496
<u>102,220,018</u>	<u>86,429,426</u>	<u>83,109,339</u>	<u>96,490,551</u>	<u>85,242,894</u>	<u>97,956,145</u>
5,622,032	5,780,090	6,187,963	7,299,439	9,517,701	9,388,771
36,924,710	39,296,404	41,134,364	42,841,325	43,038,523	46,173,983
31,045,909	19,665,363	13,209,207	14,241,571	12,590,103	12,747,063
1,496,645	1,506,952	1,801,650	1,703,966	3467866	3,654,856
10,556,123	10,275,219	11,336,465	11,755,008	8,202,451	13,565,765
4,830,417	924,301	2,418,275	13,571,753	2,438,251	3,164,810
2,693,243	3,372,594	3,501,557	3,741,924	4,010,186	5,473,428
5,591,640	2,454,056	2,289,278	2,224,946	2,658,786	980,189
				941,625	108,692
<u>98,760,719</u>	<u>83,274,979</u>	<u>81,878,759</u>	<u>97,379,932</u>	<u>86,865,492</u>	<u>95,257,557</u>
<u>3,459,299</u>	<u>3,154,447</u>	<u>1,230,580</u>	<u>(889,381)</u>	<u>(1,622,598)</u>	<u>2,698,588</u>
				31,803,741	2,730,900
				(29,910,984)	
73,464					550,651
7,230,946	3,927,563	3,995,825	4,034,710	5,894,967	2,759,313
<u>(7,230,946)</u>	<u>(3,927,563)</u>	<u>(3,995,825)</u>	<u>(4,730,250)</u>	<u>(5,894,967)</u>	<u>(2,759,313)</u>
<u>73,464</u>	<u>-</u>	<u>-</u>	<u>(695,540)</u>	<u>1,892,757</u>	<u>3,281,551</u>
<u>\$ 3,532,763</u>	<u>\$ 3,154,447</u>	<u>\$ 1,230,580</u>	<u>\$ (1,584,921)</u>	<u>\$ 270,159</u>	<u>\$ 5,980,139</u>
10.19%	7.97%	7.97%	6.25%	7.89%	7.34%

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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)
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
2017	6,761,280,688	586,347,166	(70,829,245)	7,276,798,609	0.09174

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 2016/17 Combined Tax Rolls

City of Hawthorne

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

	Fiscal Year			
	2008	2009	2010	2011
City basic rate	0.09484	0.09484	0.09484	0.09484
Redevelopment agency	1.00450	1.00430	1.00430	1.00370
Overlapping Rates				
Centinela Valley Union Hs District	0.03084	0.02278	0.02918	0.03161
County Detention Facilities 1987 Debt	0.00000	0.00000	0.00000	0.00000
El Camino Community College	0.01647	0.01703	0.01487	0.01614
Hawthorne School District	0.07156	0.07390	0.07406	0.09394
Inglewood Unified School Dist	0.05797	0.07371	0.11300	0.11452
La Community College District	0.00879	0.02212	0.02311	0.04031
La County Flood Control	0.00000	0.00000	0.00000	0.00000
Lawndale Elementary School Dist	0.04814	0.04815	0.04760	0.05429
Lennox School District	0.03634	0.06008	0.06495	0.06281
Los Angeles Unified School District	0.12334	0.12478	0.15181	0.18695
Metropolitan Water District	0.00450	0.00430	0.00430	0.00370
Wiseburn School District	0.06494	0.03818	0.06352	0.06358
Wiseburn-Centinela Unified	0.00000	0.00000	0.00000	0.00000
Total Direct Rate	0.23420	0.24755	0.24462	0.25442

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 2007/08-2016/2017 Tax Rate Table

(continued)

<u>2012</u>	<u>2013</u>	<u>Fiscal Year</u>		<u>2016</u>	<u>2017</u>
		<u>2014</u>	<u>2015</u>		
0.09484	0.09484	0.09484	0.09484	0.09484	0.09484
1.00370					
0.04985	0.05906	0.04369	0.08365	0.06484	0.07865
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.01688	0.01849	0.01750	0.01742	0.01745	0.02294
0.09252	0.11286	0.10797	0.10620	0.10176	0.09553
0.11278	0.12139	0.15614	0.14992	0.12761	0.11351
0.03530	0.04875	0.04454	0.04017	0.03575	0.03596
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.04363	0.04919	0.04651	0.04334	0.04207	0.04064
0.06682	0.08064	0.08118	0.08464	0.08456	0.09078
0.16819	0.17561	0.14644	0.14688	0.12971	0.13110
0.00370	0.00350	0.00350	0.00350	0.00350	0.00350
0.09994	0.09129	0.11672	0.13062	0.13341	0.10166
0.00000	0.00000	0.00000	0.08365	0.07997	0.08727
0.24601	0.24470	0.09106	0.09115	0.09137	0.09174

City of Hawthorne

Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	2017			2008		
	Taxable Assessed Value (1)	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value (1)	Rank	Percentage of Total City Taxable Assessed Value
SPACE EXPLORATION TECHNOLOGIES CORP	\$ 312,726,187	1	4.3 %			
DCT CARGO LLC	69,446,147	2	0.95			
COSTCO WHOLESALE CORPORATION	56,496,410	3	0.78	\$ 31,777,235	10	0.59 %
DCII-2301 WEST 120TH STREET LLC	52,883,864	4	0.73			
RT ROCKET ROAD LLC	47,361,412	5	0.65			
M AND A GABAE	46,713,145	6	0.64	41,274,370	5	0.77
BASP ZELMAN HAWTHORNE LLC	43,616,432	7	0.60			
OCEANGATE PROPERTY LLC	40,858,605	8	0.56	36,101,413	8	0.67
2 LA CIENEGA INC	40,208,992	9	0.55			
TRIUMPH AEROSTRUCTURES VOIGHT AIRCRAFT	35,763,554	10	0.49			
WILLIAM LYON HOMES INC				173,300,000	1	3.24
NORTHROP GRUMMAN SYSTEMS CORPORATION				57,183,053	2	1.07
RS HAWTHORNE LLC				46,696,850	3	0.87
LITHOGRAPHIX INC				44,592,258	4	0.83
CENTEX HOMES				40,699,591	6	0.76
MP CARGO LAX I LLC				39,795,296	7	0.74
VOUGHT AIRCRAFT INDUSTRIES INC				35,349,633	9	0.66
Total	<u>\$ 746,074,748</u>		<u>10.25 %</u>	<u>\$ 546,769,699</u>		<u>10.20 %</u>

Note:

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

Source: GdL Coren & Core, Los Angeles County Assessor 2016/2017 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
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
2017	7,170,731	6,339,236	88.40	-	6,339,236	88.40

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
	Certificates of Participation (2)	Revenue Bonds (2)	Lease Financing	Capital Leases	Loans Payable				
2008	\$ -	\$ 3,840,000	\$ -	\$ 108,322	\$ 6,625,000	\$ 10,573,322	0.007	118	
2009	-	3,735,000	-	18,905	6,236,136	9,990,041	0.006	111	
2010	-	3,630,000	-	2,343	5,758,571	9,390,914	0.006	104	
2011	-	9,747,391	-	-	5,278,247	15,025,638	0.009	177	
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	155	
2014	-	8,454,052	-	37,647	3,942,366	12,434,065	0.007	143	
2015	-	7,828,114	-	22,219	3,580,698	11,431,031	0.007	130	
2016	31,684,772	7,174,930	-	6,778	3,218,691	42,085,171	0.023	480	
2017	30,032,646	4,353,127	2,587,550	482,893	2,856,328	40,312,544	0.022	436	

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.

(2) Presented net of original issue discounts and premiums.

Source: City Finance Department.

City of Hawthorne

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Certificates of Participation (3)</u>	<u>Revenue Bonds (1)(3)</u>	<u>Total</u>	<u>Percent of Assessed Value (2)</u>	<u>Per Capita</u>
2008	\$ -	\$ 3,840,000	\$ 3,840,000	0.072	43
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	115
2012	-	9,632,391	9,632,391	0.168	113
2013	-	9,057,452	9,057,452	0.155	105
2014	-	8,454,052	8,454,052	0.141	98
2015	-	7,828,114	7,828,114	0.126	89
2016	31,684,772	7,174,930	38,859,702	0.590	443
2017	30,032,646	4,353,127	34,385,773	0.473	392

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.
- (3) Presented net of original issue discounts and premiums.

Source: City Finance Department.

City of Hawthorne

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Total assessed valuation	\$ 5,348,439,524	\$ 5,723,998,500	\$ 5,762,385,657	\$ 5,636,931,461
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,337,109,881	1,430,999,625	1,440,596,414	1,409,232,865
Debt limit percentage	15%	15%	15%	15%
Debt limit	200,566,482	214,649,944	216,089,462	211,384,930
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 200,566,482</u>	<u>\$ 214,649,944</u>	<u>\$ 216,089,462</u>	<u>\$ 211,384,930</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					
2012	2013	2014	2015	2016	2017
\$ 5,731,138,643	\$ 5,830,998,139	\$ 6,001,205,947	\$ 6,208,234,269	\$ 6,583,853,815	\$ 7,276,798,609
25%	25%	25%	25%	25%	25%
1,432,784,661	1,457,749,535	1,500,301,487	1,552,058,567	1,645,963,454	1,819,199,652
15%	15%	15%	15%	15%	15%
214,917,699	218,662,430	225,045,223	232,808,785	246,894,518	272,879,948
-	-	-	-	-	-
<u>\$ 214,917,699</u>	<u>\$ 218,662,430</u>	<u>\$ 225,045,223</u>	<u>\$ 232,808,785</u>	<u>\$ 246,894,518</u>	<u>\$ 272,879,948</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)				Coverage
	Revenue	Debt Service (2)			
		Principal	Interest		
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	370,536	1.22	
2017	3,744,990	823,428	409,710	3.04	

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, 2017

	Percentage Applicable	Gross Bonded Debt Balance	Estimated Share of Overlapping
Direct Debt			
2011 SERIES A REV BONDS	100.000%	\$ 4,353,127	\$ 4,353,127
2016 COP SERIES A & B	100.000%	30,032,646	30,032,646
LEASE FINANCING/CAPITAL LEASES	100.000%	3,070,443	3,070,443
LOANS PAYABLE	100.000%	2,856,328	2,856,328
Total Direct Debt			40,312,544
Overlapping Debt			
*METROPOLITAN WATER DISTRICT	0.526%	36,281,674	190,678
HAWTHORNE SD DS 1997 SERIES B	96.882%	1,910,965	1,851,391
HAWTHORNE SD DS 1997 SERIES C	96.882%	2,352,559	2,279,218
HAWTHORNE SD DS 1997 SERIES 2004 D	96.882%	255,277	247,319
HAWTHORNE SD DS 2004 2005 SERIES A	96.882%	656,158	635,702
HAWTHORNE SD DS 2004 SERIES 2005B	96.882%	3,163,709	3,065,080
HAWTHORNE SD DS 2004, SERIES C 2008	96.882%	8,301,599	8,042,797
HAWTHORNE SD DS 2008,2009 SERIES A	96.882%	5,871,644	5,688,595
HAWTHORNE SD DS 2008 2012 SERIES B	96.882%	11,946,770	11,574,329
HAWTHORNE SD DS REF BONDS 2004 2015 SERIES A	96.882%	5,380,000	5,212,278
HAWTHORNE SD DS REF BONDS 97, 2015 SERIES B	96.882%	3,930,000	3,807,482
LAWNDALE ELEMENTARY SD DS 2010 REF BOND	19.844%	27,610,000	5,478,839
LENNOX SD DS 1998 SERIES A	7.138%	1,278,266	91,247
LENNOX SD DS 1998 SERIES 2002B	7.138%	1,194,916	85,297
LENNOX SD DS 2007, SERIES 2007	7.138%	2,231,044	159,260
LENNOX SD DS 1998 SERIES 2012A QSCB	7.138%	2,885,000	205,942
LENNOX SD DS 2007 SERIES 2016	7.138%	1,498,746	106,986
LENNOX SD DS 2016 REF BONDS	7.138%	26,875,346	1,918,457
CENTINELA VALLEY UNION HSD 2002 REF BOND S-A	56.598%	12,410,000	7,023,812
CENTINELA VALLEY UNION HSD 2004 REF BOND S-A	56.598%	27,120,000	15,349,378
CENTINELA VALLEY UNION HSD 2008 SERIES A	56.598%	20,556,129	11,634,358
CENTINELA VALLEY UNION HSD 2010, 12 SERIES B	56.598%	6,633,140	3,754,225
CENTINELA VALLEY UNION HSD 2008 2013 SERIES B	56.598%	6,150,000	3,480,777
CENTINELA VALLEY UNION HSD 2008, 2014 SERIES D	56.598%	24,730,000	13,996,686
CENTINELA VALLEY UNION HSD 2016 REF BOND	56.598%	166,390,000	94,173,414
EL CAMINO CCD DS 2002 SERIES 2012C	6.761%	180,149,353	12,179,873
EL CAMINO CCD DS 2012 REF BONDS	6.761%	41,490,000	2,805,133
EL CAMINO CCD DS 2012 SERIES 2016 A	6.761%	100,000,000	6,760,986
EL CAMINO CCD DS 2016 REF BONDS	6.761%	79,920,000	5,403,380
LA CCD DS 2003 TAXABLE SERIES 2004B	0.088%	33,670,000	29,555
LA CCD DS 2001, 2006 SERIES B	0.088%	4,880,000	4,284
LA CCD DS 2001, 2008 SER E-1	0.088%	14,440,000	12,675
LA CCD DS 2003, 2008 SER F-1	0.088%	14,320,000	12,570
LA CCD DS 2008, 2009 TAXABLE SER B	0.088%	75,000,000	65,835
LA CCD DS 2008, 2010 TAX SERIES D	0.088%	125,000,000	109,724
LA CCD DS 2008, 2010 TAX SER E (BABS)	0.088%	900,000,000	790,014
LA CCD DS 2013 REF BONDS	0.088%	254,505,000	223,403
LA CCD DS 2008 SERIES G	0.088%	224,160,000	196,766
LA CCD DS 2015 REF SERIES A	0.088%	1,459,300,000	1,280,964
LA CCD DS 2015 REF SERIES B	0.088%	37,655,000	33,053
LA CCD DS 2015 REF SERIES C	0.088%	289,955,000	254,521
LA CCD DS 2008 SER J	0.088%	414,995,000	364,280
INGLEWOOD USD DS 2007 REF. BONDS	0.050%	42,115,000	21,052
INGLEWOOD USD DS 2012 SERIES A	0.050%	67,045,000	33,514

Notes:

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

Source: GdL Coren & Core, Los Angeles County Assessor 2016/2017 Combined Tax Rolls

City of Hawthorne

Direct and Overlapping Debt, (continued) As of June 30, 2017

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percentage Applicable	Gross Bonded Debt Balance	Estimated Share of Overlapping
Overlapping Debt (Continued)			
LOS ANGELES UNIF DS 2002 REF BOND	0.108%	15,215,000	16,461
LOS ANGELES UNIF DS 2005 REF BONDS A-1	0.108%	71,850,000	77,736
LOS ANGELES UNIF DS 2005 REF BONDS A-2	0.108%	14,790,000	16,002
LOS ANGELES UNIF DS 2007 REF BDS SER A-1	0.108%	4,225,000	4,571
LOS ANGELES UNIF DS 2007 REF BDS SER A-2	0.108%	17,510,000	18,944
LOS ANGELES UNIF DS 2007 REF BDS SER B	0.108%	32,100,000	34,729
LOS ANGELES UNIF DS 2002 SERIES E	0.108%	200,000,000	216,383
LOS ANGELES UNIF DS 2004 SERIES J	0.108%	756,510,000	818,479
LOS ANGELES UNIF DS 2005 SERIES H	0.108%	608,995,000	658,880
LAUSD MEASURE R SERIES 2009	0.108%	75,630,000	81,825
LAUSD MEASURE R SERIES KRY BABS	0.108%	363,005,000	392,740
LAUSD MEASURE Y 2009 SERIES KRY BABS	0.108%	806,795,000	872,883
LAUSD MEASURE K 2010 SERIES KRY	0.108%	145,250,000	157,148
LAUSD MEASURE R 2010 SERIES KRY	0.108%	157,165,000	170,039
LAUSD MEASURE Y 2010 SERIES KRY	0.108%	130,450,000	141,136
LAUSD MEASURE R 2010 SERIES RY BABS	0.108%	477,630,000	516,754
LAUSD MEASURE Y 2010 SERIES RY BABS	0.108%	772,955,000	836,271
LAUSD MEASURE Y 2010 SERIES KY	0.108%	29,100,000	31,484
LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A 1	0.108%	146,935,000	158,971
LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A 2	0.108%	146,930,000	158,966
LOS ANGELES UNIF DS 2012 REFUNDING BOND SERIES A	0.108%	139,510,000	150,938
LOS ANGELES UNIF DS 2014 REF BOND SERIES A	0.108%	142,415,000	154,081
LOS ANGELES UNIF DS 2014 REF BOND SERIES B	0.108%	323,170,000	349,642
LOS ANGELES UNIF DS 2014 REF BOND SERIES C	0.108%	934,275,000	1,010,805
LOS ANGELES UNIF DS 2014 REF BOND SERIES D	0.108%	153,385,000	165,949
LOS ANGELES UNIF DS 2004 SERIES J	0.108%	12,285,000	13,291
LOS ANGELES UNIF DS 2004 SERIES K	0.108%	1,235,000	1,336
LOS ANGELES UNIF DS 2005 SERIES K	0.108%	14,480,000	15,666
LOS ANGELES UNIF DS 2005 SERIES L	0.108%	4,410,000	4,771
LOS ANGELES UNIF DS 2015 REF BONDS SERIES A	0.108%	318,085,000	344,141
LOS ANGELES UNIF DS 2008 SERIES A 2016	0.108%	1,217,135,000	1,316,835
LOS ANGELES UNIF DS 2016 REF BONDS SERIES A	0.108%	1,581,685,000	1,711,247
WISEBURN USD DS 1997 SERIES 1999A	16.618%	2,091,041	347,496
WISEBURN USD DS 2000 SERIES 2001	16.618%	5,774,545	959,633
WISEBURN USD DS 2007 2008 SERIES A	16.618%	21,582,400	3,586,633
WISEBURN USD DS 2010 2012 SERIES C	16.618%	49,197,764	8,175,843
WISEBURN USD DS 2010 2013 SERIES D	16.618%	5,115,000	850,027
WISEBURN USD DS REF BONDS 2015 SERIES A	16.618%	5,490,000	912,346
WISEBURN USD DS REF BONDS 2015 SERIES B	16.618%	12,045,000	2,001,677
WISEBURN USD DS REF BONDS 2016 SERIES A	16.618%	36,610,000	6,083,968
Total overlapping debt		\$ 14,719,228,045	\$ 264,171,856
Total Direct and Overlapping Debt			<u>\$ 304,484,400</u>

2016/17 Assessed Valuation: \$5,650,348,135 After Deducting \$1,595,513,612 Incremental Value.

Debt To Assessed Valuation Ratios:	Direct Debt	0.69%
	Overlapping Debt	4.68%
	Total Debt	5.37%

Notes:

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

Source: GdL Coren & Core, Los Angeles County Assessor 2016/2017 Combined Tax Rolls

City of Hawthorne

Demographic and Economic Statistics Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Square Miles</u>	<u>Population</u>	<u>Population Percentage Change</u>	<u>Personal Income (In Thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (2)</u>
2007	6.08	88,224		\$ 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%
2016	6.08	87,662	-0.39%	1,801,255	20,548	4.7%

Sources:
HdL Coren & Cone

City of Hawthorne

Principal Employers Current Year and Nine Years Ago

Employer	2017			2008		
	Number of Employees	Rank	Percent of Total Employment (1)	Number of Employees	Rank	Percent of Total Employment (1)
Space Exploration Technologies (3 locations)	4781	1	10.77%			0.00%
Hawthorne School District	801	2	1.80%			0.00%
Wiseburn Unified School District(2)	357	3	0.80%			
Osi Systems Inc	350	4	0.79%			0.00%
City of Hawthorne	328	5	0.74%			0.00%
Teledyne Relays	309	6	0.70%			
Lithographix Inc	242	7	0.55%			
South Bay Ford	225	8	0.51%			0.00%
Costco Wholesale	166	9	0.37%			
Target	150	10	0.34%			0.00%
						0.00%
						0.00%
						0.00%
						0.00%
Total	7,709		17.37%	0		0.00%
Total City Employment (3)	44,400					

Source: MuniServices, LLC

(1) Includes 3 locations

(2) Includes Da Vinci Charter - Total is FTE

(3) Total City Labor Force provided by EDD Labor Force Data.

Note: No previous Principal Employers Report to compare to.

City of Hawthorne

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

Function/Program:	<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>	<u>2017</u>
General government	154	135	134	137	130	132	139	132	120	130
Public safety	105	129	109	101	103	106	109	108	112	100
Public works, streets maint	41	37	44	46	47	42	43	46	47	48
Comm dev-planning, building, housing	30	23	27	27	27	27	34	32	28	26
Recreation & Comm-serv, parks	<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>	<u>99</u>
Total	<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>	<u>403</u>

Source: City Finance Department.

City of Hawthorne

Operating Indicators by Function (1) Last Ten Years

<u>Function/Program</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
General Government:				
Number of business licenses issued	5,334	5,269	5,314	5,547
Number of requests for public information	18	33	62	80
Number of new hires including part-time	74	104	39	37
Number of invoices processed	14,275	15,199	15,251	13,580
Public Safety:				
Police:				
Number of emergency calls	47,281	46,800	46,904	53,344
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	-
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				475
Approximate number of building inspections conducted				6,911
Number of new business licenses issued	596	534	540	615

Source: Various City Departments.

(continued)

<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
4,719	5,662	5,473	5,021	6,221	5,992
54	62	56	158	152	223
42	45	62	57	97	95
12,911	10,863	11,000	10,007	9,478	21,887
57,706	56,130	60,115	57,348	51,402	40,002
N/A	N/A	N/A	N/A	N/A	N/A
-	-	1	-	-	1
1	-	-	1	-	1
15,184	15,184	15,184	15,184	15,184	15,184
-	-	-	-	-	-
993	993	993	993	993	993
		811	783	867	889
		24,123	23,987	24,280	25,494
		80	100	80	80
		565	563	577	605
		18,750	18,750	18,750	18,750
510	681	673	716	712	594
7,914	10,143	9,893	8,845	7,020	4,000
533	702	611	719	839	764

City of Hawthorne

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Safety:				
Police (1)				
Number of police stations	1	1	1	1
Number of emergency vehicles	92	83	78	85
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

Notes:

(1) The Fire station is owned by LA County. We contract the fire service.

(2) The number includes both California Edison Owned street lights and street light owned by City of Hawthorne.

Sources: Various City departments.

(continued)

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1 80	1 80	1 79	1 76	1 99	1 96
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 3,639	91 3,639	91 3,639	91 3,639	91 3,639	91 3,639
10 50.38 1	10 50.38 1	10 50.38 1	10 50.38 1	10 50.38 1	10 50.38 1

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