



*City of Hawthorne,
California*

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION:

Letter of Transmittal	i
Organizational Chart	vii
List of Principal Officials	viii
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	ix

FINANCIAL SECTION:

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	18
Statement of Activities.....	19
Fund Financial Statements	
Balance Sheet – Governmental Funds	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds	
Statement of Net Position.....	27
Statement of Revenues, Expenses and Changes in Fund Net Position	28
Statement of Cash Flows	29
Fiduciary Funds	
Statement of Fiduciary Net Position	30
Statement of Changes in Fiduciary Net Position.....	31
Notes to Financial Statements	32
Required Supplementary Information:	
Budgetary Comparison Schedule by Department	
General Fund	92
Housing Asset	94
HOME Grant.....	95
Hawthorne Housing Authority.....	96

TABLE OF CONTENTS, (Continued)

FINANCIAL SECTION, (Continued):

Required Supplementary Information, (continued):

California Public Retirement System

Schedule of Changes in Net Pension Liability and Related Ratios	97
Schedule of Plan Contributions – Agent Plan	99
Schedule of City’s Proportionate Share of the Plan’s Net Pension Liability and Related Ratios as of the Measurement Date.....	100
Schedule of Plan Contributions – Cost Sharing Plan	101
Schedule of Changes in the OPEB Liability and Related Ratios.....	102
Notes to Required Supplementary Information	103

Supplementary Information:

Non-Major Governmental Funds:

Combining Balance Sheet.....	109
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	115
Schedule of Revenues, Expenditures and Fund Balance - Budget and Actual	
Street Lighting Special Revenue Fund.....	121
Gas Tax Special Revenue Fund	122
Street Special Revenue Fund	123
Asset Forfeiture Special Revenue Fund.....	124
COPS Special Revenue Fund.....	125
California Office of Traffic Safety Special Revenue Fund	126
Local Law Enforcement Block Grant Special Revenue Fund.....	127
MTA Measure R Special Revenue Fund.....	128
Proposition A Special Revenue Fund.....	129
Proposition C Special Revenue Fund.....	130
Air Quality Special Revenue Fund	131
California Used Oil Recycling Special Revenue Fund.....	132
California Beverage Container Recycling Special Revenue Fund	133
2009 Street Improvements Special Revenue Fund.....	134
Edward Byrne Memorial Justice Assistance Program Special Revenue Fund.....	135
Hawthorne Blvd Mobility Improvement Program Special Revenue Fund.....	136
CATV Peg Special Revenue Fund	137
Community Development Block Grant Special Revenue Fund	138
Alcoholic Beverage Control Grant Assistance Program Fund.....	139
MTA Measure M Special Revenue Fund.....	140
Development Impact Capital Projects Fund	141
Public Financing Authority Debt Service Fund	142
2016 Refunding Bonds Debt Service Fund	143
2016 Direct Placement Lease Financing Fund.....	144

TABLE OF CONTENTS, (Continued)

FINANCIAL SECTION, (Continued):

Internal Service Funds:	
Combining Statement of Net Position	145
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	146
Combining Statement of Cash Flows	147
Agency Funds:	
Combining Statement of Assets and Liabilities	148
Combining Statement of Changes in Assets and Liabilities	149

STATISTICAL SECTION (UNAUDITED):

Net Position by Component	151
Changes in Net Position.....	153
Fund Balances of Governmental Funds.....	157
Changes in Fund Balances of Governmental Funds	159
Assessed Value and Estimated Actual Value of Taxable Property	161
Direct and Overlapping Property Tax Rates	162
Principal Property Taxpayers	164
Property Tax Levies and Collections.....	165
Ratios of Outstanding Debt by Type	166
Ratios of General Bonded Debt Outstanding.....	167
Legal Debt Margin Information.....	168
Pledged-Revenue Coverage.....	170
Direct and Overlapping Debt.....	171
Demographic and Economic Statistics.....	173
Principal Employers	174
Full-Time and Part-Time Employees by Function	175
Operating Indicators by Function	176
Capital Asset Statistics by Function/Program	178



Transmittal Letter

December 20, 2018

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, 2018. 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, 2018.

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, 2018, 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 3.5% at the end of the third quarter of 2018. 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 2018, the national unemployment rate was reported at 3.7% 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 again in 2018, citing that “the U.S. economy is in good health, and that the Fed is trying to strike a balance between allowing the current expansion to continue and ensuring that inflation remains under control.”

LOCAL ECONOMY

According to the February 2018 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 2017, California’s economy grew at an estimated rate of 2.5%, faster than the nation as a whole which grew at 2.4%. California currently accounts for 14.1% of the nation’s GDP, far more than any other state, and is expected to expand by 2.7% in 2018 and 2.6% in 2019, again outpacing the nation.*

In 2017, California’s unemployment rate averaged 4.8%, the lowest since 2000. It is also expected to decline slowly over the next two years, reaching 4.2% in 2019 as we reach full employment. Over the course of 2017, nearly all major industry sectors in California added jobs. The largest private sector gains occurred in health care and social assistance (62,300 jobs added); leisure and hospitality (47,100 jobs added); and construction (41,100 jobs added). The public sector added 46,400 new jobs last year.

The average unemployment rate in Los Angeles County was estimated at 4.6%, down 0.3% from 4.9% 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 2017-2018 fiscal year increased 16% 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 2017-18 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 35% and New Auto sales represent 17% of Hawthorne's sales tax revenues.

On the expense side, total General Fund expenditures increased by 6% in fiscal year 2017-2018 from the prior fiscal year. Total expenses for the City totaled \$67.4 million for the year ended June 30, 2018. 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 2017-2018.

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.

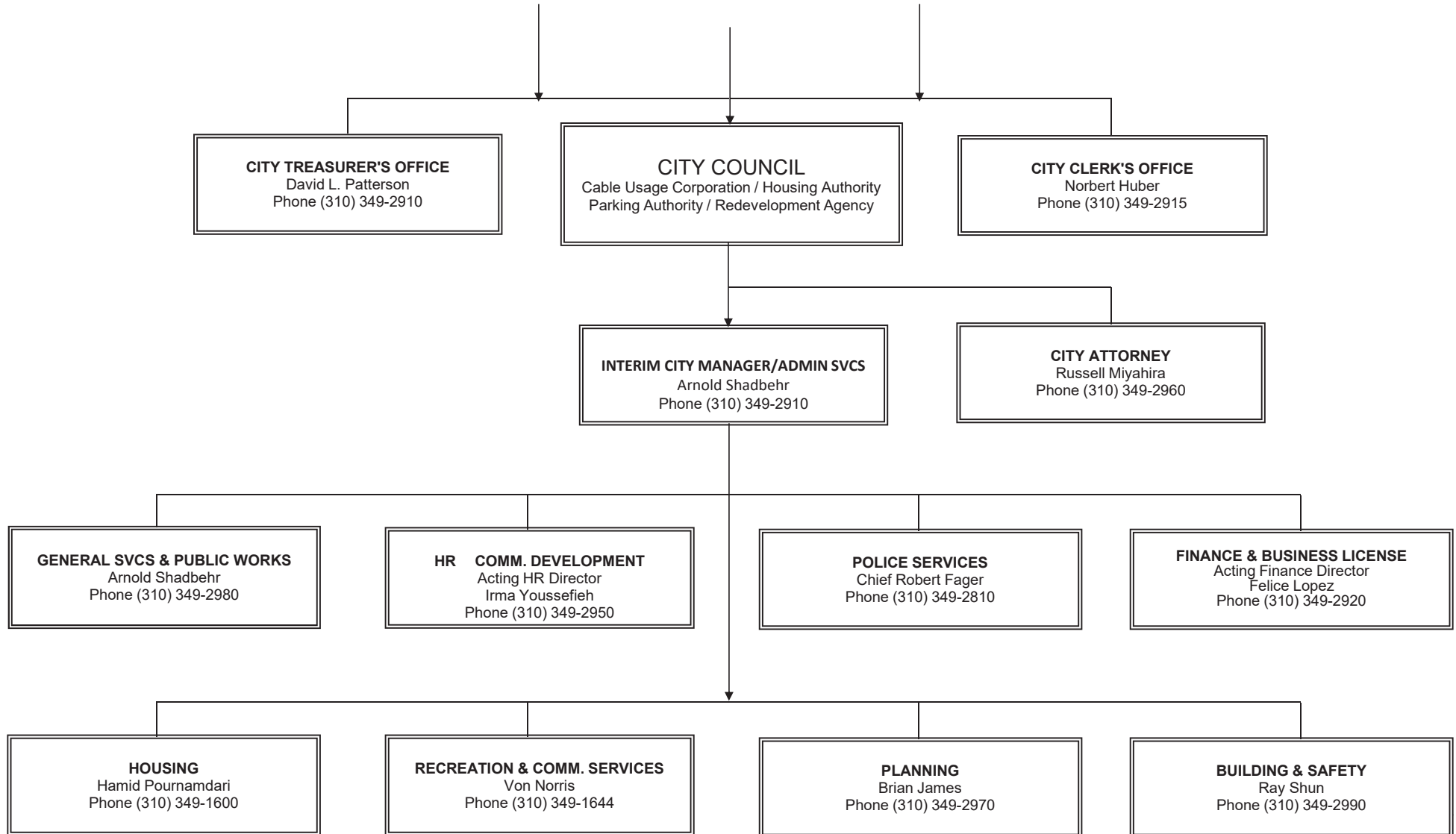
Lastly, a special thank you goes to the Mayor, City Council and City Manager for their support in maintaining the highest standards of professionalism in the management of the City of Hawthorne's finances. Through continued partnership with the community that we serve, the City of Hawthorne will continue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

Respectfully submitted,



Felice Lopez
Acting 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
Acting Finance Director
Housing & Section 8 Director
Acting Human Resources Director
Chief of Police
Public Works Director
Recreation and Community Services Manager
Planning Director

Ray Shun
Felice Lopez
Hamid Pournamdari
Irma Youssefieh
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, 2017

Christopher P. Morill

Executive Director/CEO

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Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA
Samuel Singery, CPA
Jing Wu, CPA
Evelyn Morentin-Barcelona, CPA
Jin Gu, CPA, MT

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, 2018, 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.



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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, 2018, 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

Change in Accounting Principle

As described in Note 1, the City adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension*. 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 20, 2018 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 20, 2018

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City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2018

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, 2018. 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, 2018, the City's net deficit (assets plus deferred outflows of resources less liabilities and deferred inflows of resources) was \$(63.0) million. Of this amount, \$(198.2) million is unrestricted.
- The City of Hawthorne total net position decreased from the prior fiscal year 2016-2017 by \$81,394,626 primarily due to the restatement of net position as a result of the City's implementation of GASB 75 for other postemployment benefits. The total restatement due to this change in accounting principle was (\$84,130,827). Additional information on City of Hawthorne's other postemployment benefit liability can be found in Note 9 on pages 76-80 of this report.
- At the close of the current fiscal year, the City of Hawthorne governmental funds reported combined fund balances of \$46,395,068, an increase of \$12,560,581 in comparison with the prior year. Approximately 54.2% of this amount (\$25,116,351) 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 \$26,066,029 or approximately 38.7% 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, 2018

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, 2018

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

The major governmental funds include the General Fund, the Housing Asset Fund, the HOME Grant Fund, and the Hawthorne Housing Authority Fund, which are reported in detail in the governmental Fund Financial Statements. All other funds are shown in the aggregate as other non-major funds. Individual fund data for other non-major governmental fund is provided in the form of supplementary information elsewhere in the report.

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

Proprietary Funds - The City of Hawthorne maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for its Airport and Sewer and Storm Drain operations. Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Risk Management and Vehicles & Equipment Replacement. Because these services benefit both the governmental and the business-type activities, they have been allocated between governmental and business-type activities in the Government-wide Financial Statements.

Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail. The enterprise funds and internal service funds are each combined into a single aggregated presentation by fund type in the proprietary fund financial statements. Individual fund data for the enterprise funds and internal service funds is provided in the form of supplementary information elsewhere in the report.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Trust funds use the flow of economic resources measurement focus and the accrual basis of accounting. Agency funds also use the accrual basis of accounting, but, since they are custodial in nature and do not involve the measurement of results of operations, they do not use a measurement focus. The fiduciary funds also include the Successor Agency to the Dissolved Hawthorne Redevelopment Agency in addition to agency funds. The Successor Agency is presented as a Private Purpose Trust Fund in this report.

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

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

Notes to Basic Financial Statements - The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 32-90 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 91-104 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, liabilities and deferred inflows exceeded assets and deferred outflows by \$63.0 million at June 30, 2018. Approximately \$114.7 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, \$20.5 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, \$(198.2) 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, GASB 75 regarding OPEB liability reporting, and long-term liabilities such as obligations for claims and judgments.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2018

At the end of the 2018 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 53,449,625	\$ 42,609,112	\$ 2,723,381	\$ 3,162,673	\$ 56,173,006	\$ 45,771,785
Capital assets, net	126,202,470	126,431,065	9,657,296	10,034,549	135,859,766	136,465,614
Total assets	<u>179,652,095</u>	<u>169,040,177</u>	<u>12,380,677</u>	<u>13,197,222</u>	<u>192,032,772</u>	<u>182,237,399</u>
Deferred outflows of resources	31,132,716	21,629,856	871,556	824,036	32,004,272	22,453,892
Long-term debt	262,952,059	175,188,497	2,592,303	2,273,371	265,544,362	177,461,868
Other liabilities	4,582,266	2,757,813	97,515	197,102	4,679,781	2,954,915
Total Liabilities	<u>267,534,325</u>	<u>177,946,310</u>	<u>2,689,818</u>	<u>2,470,473</u>	<u>270,224,143</u>	<u>180,416,783</u>
Deferred inflows of resources	16,749,259	5,820,227	41,214	37,227	16,790,473	5,857,454
Net position						
Net investment in capital assets	105,088,517	104,119,442	9,657,296	10,034,549	114,745,813	114,153,991
Restricted	20,489,870	17,681,869	-	-	20,489,870	17,681,869
Unrestricted	<u>(199,077,160)</u>	<u>(114,897,815)</u>	<u>863,905</u>	<u>1,479,009</u>	<u>(198,213,255)</u>	<u>(113,418,806)</u>
Total net position	<u>\$ (73,498,773)</u>	<u>\$ 6,903,496</u>	<u>\$ 10,521,201</u>	<u>\$ 11,513,558</u>	<u>\$ (62,977,572)</u>	<u>\$ 18,417,054</u>

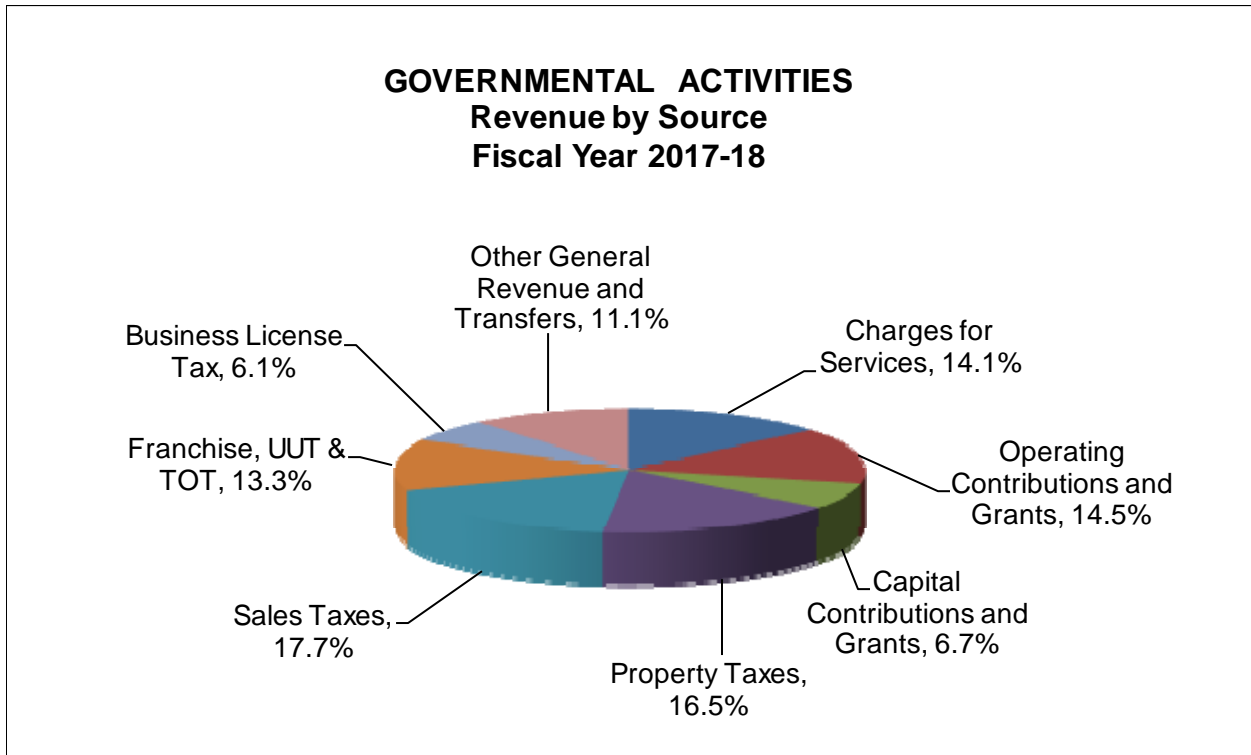
Governmental Activities. The City's net position from governmental activities totaled (\$73.5) million. The cost of all governmental activities this year was \$100.8 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$67.5 million because some of the cost was paid by those who directly benefited from the programs (\$14.7 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$22.1 million). Overall, the City's governmental program revenues were \$36.8 million. The City paid for the remaining "public benefit" portion of governmental activities with \$55.9 million in taxes (some of which could only be used for certain programs) and with \$11.6 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 \$54.4 million.

City of Hawthorne

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

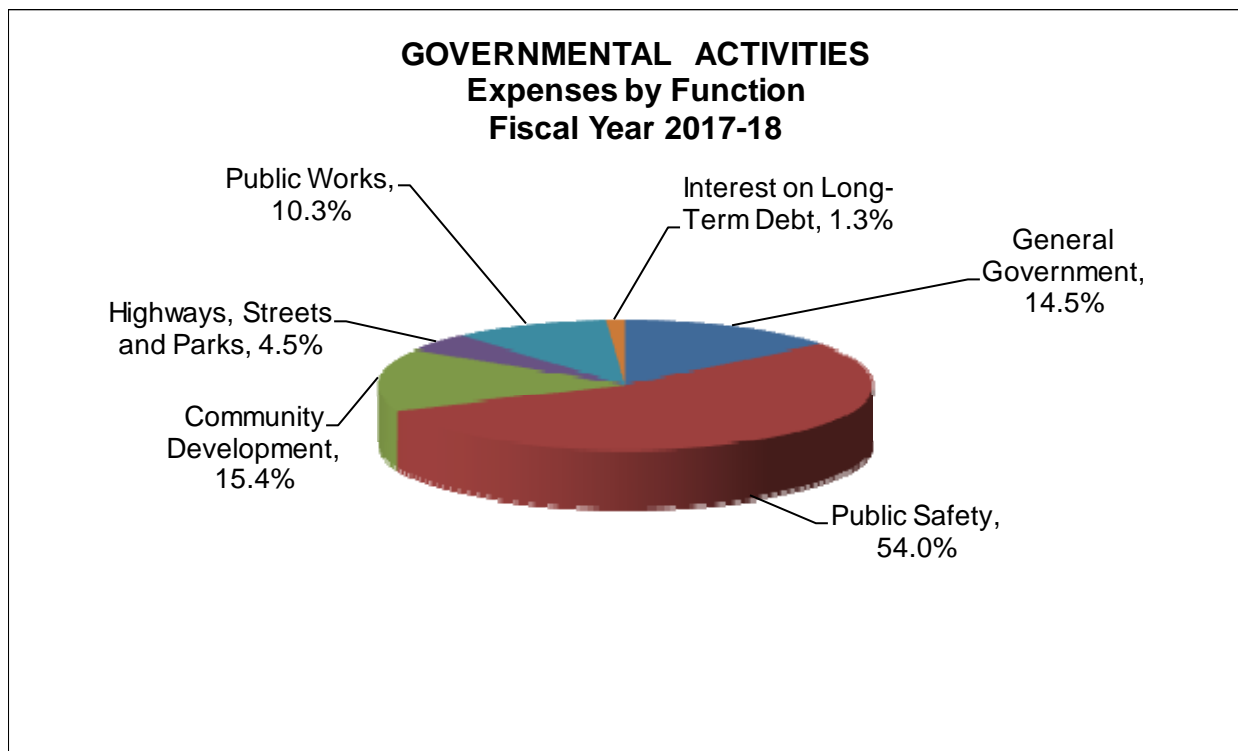
Revenue Source	2018	Percent of Total	Increase (Decrease) From	Percent Increase (Decrease)
			2017	
Charges for services	\$ 14,661,669	14.1%	\$ (2,584,829)	-17.6%
Operating contributions and grants	15,129,105	14.5%	1,120,656	7.4%
Capital contributions and grants	6,971,470	6.7%	(880,577)	-12.6%
Property taxes	17,212,040	16.5%	211,812	1.2%
Sales taxes	18,498,130	17.7%	1,641,521	8.9%
Transient occupancy taxes	5,412,476	5.2%	212,365	3.9%
Franchise taxes	1,765,717	1.7%	41,152	2.3%
Business License taxes	6,314,957	6.1%	698,975	11.1%
Utility Users tax	6,726,815	6.4%	112,942	1.7%
Other	11,608,306	11.1%	9,918,503	85.4%
Total revenue	\$ 104,300,685	100.0%	\$ 10,492,520	10.1%



City of Hawthorne

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

Function	2018	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
			From 2017	
General government	\$ 14,701,855	14.5%	\$ 3,607,635	24.5%
Public safety	54,381,340	54.0%	(251,663)	-0.5%
Community development	15,498,320	15.4%	2,649,295	17.1%
Parks and recreation	4,521,785	4.5%	694,353	15.4%
Public works	10,335,197	10.3%	(1,715,992)	-16.6%
Interest on long-term debt	1,348,742	1.3%	430,705	31.9%
Total expenses	\$ 100,787,239	100.0%	\$ 5,414,333	5.4%



**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

Business-type Activities. Revenues of the City's business-type activities were \$2.6 million for the fiscal year ending June 30, 2018. Expenses for the City's business-type activities were \$3.6 million for the year, resulting in a net decrease in net position of \$1.0 million. The net revenues are the result of several factors, including the following;

The City's Airport recorded total revenue of \$1.0 million. Expenses for the City's Airport were \$1.2 million, resulting in a net deficit of \$221 thousand. The most significant expenses of the Airport are \$790 thousand for administration and general and \$323 thousand in depreciation.

The City's Sewer Maintenance services recorded charges for service of \$1.5 million, while expenses totaled \$2.3 million, resulting in a net deficit of \$813 thousand. The most significant expenses of the Sewer Fund are \$2.1 million for administration and general and \$101 thousand for contractual services.

The decrease in net position from business-type activities was primarily due to increased expenses from sewer maintenance services.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 14,661,669	\$ 17,246,498	\$ 2,407,275	\$ 2,258,236	\$ 17,068,944	\$ 19,504,734
Operating contributions and grants	15,129,105	14,008,449	161,611	99,118	15,290,716	14,107,567
Capital contributions and grants	6,971,470	7,852,047	-	-	6,971,470	7,852,047
General revenues:						
Property taxes	17,212,040	17,000,228	-	-	17,212,040	17,000,228
Sales taxes	18,498,130	16,856,609	-	-	18,498,130	16,856,609
Transient occupancy taxes	5,412,476	5,200,111	-	-	5,412,476	5,200,111
Franchise taxes	1,765,717	1,724,565	-	-	1,765,717	1,724,565
Business License taxes	6,314,957	5,615,982	-	-	6,314,957	5,615,982
Utility Users tax	6,726,815	6,613,873	-	-	6,726,815	6,613,873
Other	11,608,306	1,689,803	12,195	5,874	11,620,501	1,695,677
Total Revenues	104,300,685	93,808,165	2,581,081	2,363,228	106,881,766	96,171,393
Expenses						
General government	14,701,855	11,094,220	-	-	14,701,855	11,094,220
Public safety	54,381,340	54,633,003	-	-	54,381,340	54,633,003
Community development	15,498,320	12,849,025	-	-	15,498,320	12,849,025
Parks and recreation	4,521,785	3,827,432	-	-	4,521,785	3,827,432
Public works	10,335,197	12,051,189	-	-	10,335,197	12,051,189
Interest on long-term debt	1,348,742	918,037	-	-	1,348,742	918,037
Airport	-	-	1,230,891	1,131,440	1,230,891	1,131,440
Sewer and storm drain	-	-	2,342,547	933,015	2,342,547	933,015
Total Expenses	100,787,239	95,372,906	3,573,438	2,064,455	104,360,677	97,437,361
Change in Net Position	3,513,446	(1,564,741)	(992,357)	298,773	2,521,089	(1,265,968)
Net Position, Beginning, as Restated	(77,012,219)	8,468,237	11,513,558	11,214,785	(65,498,661)	19,683,022
Net Position, Ending	\$ (73,498,773)	\$ 6,903,496	\$ 10,521,201	\$ 11,513,558	\$ (62,977,572)	\$ 18,417,054

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, 2018, the City of Hawthorne governmental funds reported combined fund balances of \$46.4 million, an increase of \$12.6 million in comparison with the prior year. Approximately 54.1% of this amount (\$25.1 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, 2018

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 \$26.1 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 38.7% of the total General Fund expenditures, while total fund balance represents approximately 38.8% of that same amount.

The fund balance of the City of Hawthorne General Fund increased by \$9.4 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 \$5.7 million.

The **HOME Grant Special Revenue 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. This fund ended the year with a fund balance of \$273 thousand.

The **Hawthorne Housing Authority Special Revenue Fund** is used to account for the housing assistance programs for the qualified low-income residents. This fund ended the year with a fund balance of \$201 thousand.

Proprietary Funds.

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

Airport Fund accounts for the operation of the City's airport, which is operated in a manner similar to a private airport. At the end of the year, the net position amounted to \$7.3 million. The total net income or (loss) for the Airport Fund was (\$209) 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 \$3.1 million. The total net income or (loss) for the Sewer and Storm Drain Fund was (\$813) thousand.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2018

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	\$ 51,803,855	\$ 58,314,518	\$ 6,510,663
Licenses and permits	1,700,000	2,600,073	900,073
Intergovernmental	1,897,798	1,787,132	(110,666)
Charges for services	2,379,766	2,111,417	(268,349)
Fines and forfeitures	2,730,000	2,784,593	54,593
Use of money and property	-	32,285	32,285
Contributions	450,000	450,021	21
Miscellaneous	8,833,000	9,688,303	855,303
	<u>\$ 69,794,419</u>	<u>\$ 77,768,342</u>	

	Appropriated Expenditures	Actual Expenditures	Difference
General government	\$ 9,698,477	\$ 10,104,277	\$ (405,800)
Public safety	48,093,107	47,997,479	95,628
Community development	2,498,270	2,389,150	109,120
Parks and recreation	3,779,007	3,743,089	35,918
Public works	2,913,496	2,622,217	291,279
Capital outlay	352,876	506,783	(153,907)
	<u>\$ 67,335,233</u>	<u>\$ 67,362,995</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, 2018, net capital assets totaled \$126.2 million for governmental activities and \$9.7 million for business-type activities, net of accumulated depreciation on capital assets, which is recognized in the Government-wide Financial Statements.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2018

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 decrease in the City's investment in capital asset for Fiscal Year 2017-2018 was \$600 thousand compared to prior year.

In the current fiscal year, land totaling \$2.8 million was sold to a third-party developer.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,966,028	\$ 9,745,120	\$ 37,314	\$ 37,314	\$ 7,003,342	\$ 9,782,434
Buildings and Improvements	26,268,752	27,709,649	1,188,862	1,243,296	27,457,614	28,952,945
Furniture and Equipment	3,612,807	3,138,670	-	-	3,612,807	3,138,670
Infrastructure	80,436,643	77,934,399	8,431,120	8,753,939	88,867,763	86,688,338
Investment in Joint Venture (RCC)	4,712,281	3,728,032	-	-	4,712,281	3,728,032
Construction in progress	4,205,959	4,175,195	-	-	4,205,959	4,175,195
Total	\$ 126,202,470	\$ 126,431,065	\$ 9,657,296	\$ 10,034,549	\$ 135,859,766	\$ 136,465,614

Additional information on the City of Hawthorne's capital assets can be found in Note 3 on pages 50-52 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$34.8 million. 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	
	2018	2017	2018	2017	2018	2017	2018	2017
Long-Term Debt:								
Bond	\$ 34,808,717	\$ 36,973,323	\$ -	\$ -	\$ -	\$ -	\$ 34,808,717	\$ 36,973,323
Lease payable	378,119	482,893	-	-	-	-	378,119	482,893
Loan payable	2,493,585	2,856,328	-	-	-	-	2,493,585	2,856,328
Total	\$ 37,680,421	\$ 40,312,544	\$ -	\$ -	\$ -	\$ -	\$ 37,680,421	\$ 40,312,544
Operational Liabilities:								
Compensated absences	3,911,417	4,109,519	23,891	27,537	69,331	76,880	\$ 4,004,639	\$ 4,213,936
OPEB	105,728,000	115,015,000	-	-	-	-	105,728,000	115,015,000
Net Pension Liability	109,772,004	96,787,064	2,372,570	2,189,120	2,522,972	2,196,491	114,667,546	101,172,675
Claims and Judgment payable	-	-	3,463,756	3,591,540	-	-	3,463,756	3,591,540
Total	\$ 219,411,421	\$ 215,911,583	\$ 5,860,217	\$ 5,808,197	\$ 2,592,303	\$ 2,273,371	\$ 227,863,941	\$ 223,993,151

The City of Hawthorne's total debt increased by \$868 thousand during the current fiscal year, primarily due to the increase in net pension liability during the year.

Additional information on the City of Hawthorne' long-term debt can be found in Note 5, on pages 55-61 of this report.

**Management's Discussion and Analysis
For the Year Ended June 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

From a big picture/national economic perspective, the US Economy is expected to grow steadily over the next 2 years. 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 City's largest General Fund revenue source, Sales Tax, grew by 8.9% (\$1,641,521) in FY 2018 compared to FY 2017.

According to the February 2018 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 2017, California's economy grew at an estimated rate of 2.5%, faster than the nation as a whole which grew at 2.4%. California currently accounts for 14.1% of the nation's GDP, far more than any other state, and is expected to expand by 2.7% in 2018 and 2.6% in 2019, again outpacing the nation.

In 2017, California's unemployment rate averaged 4.6%, the lowest since 2000. It is also expected to decline slowly over the next two years, reaching 4.3% in 2019 as we reach full employment. Over the course of 2017, nearly all major industry sectors in California added jobs. The largest private sector gains occurred in health care and social assistance (62,300 jobs added); leisure and hospitality (47,100 jobs added); and construction (41,100 jobs added). The public sector added 46,400 new jobs last year.

The average unemployment rate in Los Angeles County was estimated at 4.6%, down 0.3% from 4.9% a year ago. It is also expected to decline slowly over the next 2 years.

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 was successful in attracting new business such as Urth Caffe, Ring, StorQuest Self Storage, and Chanje Electric Vans to name a few. In order to continue to retain and attract business, the City must strive to maintain a business friendly attitude.

The NFL's approval to grant the relocation of the Rams and the Chargers to the City of Los Angeles (Inglewood) and plans to build a new stadium in the City of Inglewood for both teams, brings the potential for revenue growth for the City of Hawthorne, in the form of additional Sales Tax and Transient Occupancy Tax.

The City of Hawthorne's financial outlook remains positive. The recommended fiscal year 2018-2019 budget is balanced and in compliance with the City Council's amended General Fund Reserve Policy and the recently adopted Fiscal Management Policy. The City continues to operate efficiently and effectively, all while continuing to provide outstanding services for the community.

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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 41,335,890	\$ 2,813,999	\$ 44,149,889
Cash and investments with fiscal agents	1,402,265	-	1,402,265
Receivables:			
Accounts	8,285,118	219,382	8,504,500
Taxes	320,878	-	320,878
Interest	31,365	-	31,365
Internal balances	310,000	(310,000)	-
Due from successor agency	1,700,366	-	1,700,366
Inventories	63,743	-	63,743
Capital assets, not being depreciated	11,171,987	37,314	11,209,301
Capital assets, net of accumulated depreciation	115,030,483	9,619,982	124,650,465
Total assets	<u>179,652,095</u>	<u>12,380,677</u>	<u>192,032,772</u>
Deferred outflows of resources			
Unamortized loss on defeasance of debt	498,957	-	498,957
Pension related	27,827,759	871,556	28,699,315
OPEB related	2,806,000	-	2,806,000
Total deferred outflows of resources	<u>31,132,716</u>	<u>871,556</u>	<u>32,004,272</u>
Liabilities			
Accounts payable	2,227,822	51,036	2,278,858
Accrued liabilities	868,160	19,337	887,497
Accrued interest	515,462	-	515,462
Unearned revenue	29,352	6,934	36,286
Deposits payable	69,312	20,208	89,520
Due to other governments	872,158	-	872,158
Noncurrent liabilities:			
Due within one year	4,011,259	13,866	4,025,125
Due in more than one year	258,940,800	2,578,437	261,519,237
Total liabilities	<u>267,534,325</u>	<u>2,689,818</u>	<u>270,224,143</u>
Deferred inflows of resources			
Pension related	5,245,259	41,214	5,286,473
OPEB related	11,504,000	-	11,504,000
Total deferred inflows of resources	<u>16,749,259</u>	<u>41,214</u>	<u>16,790,473</u>
Net position			
Net investment in capital assets	105,088,517	9,657,296	114,745,813
Restricted for:			
Public works	6,772,717	-	6,772,717
Public safety	539,905	-	539,905
Capital improvements	4,974,337	-	4,974,337
Debt service	1,785,449	-	1,785,449
Community development	6,417,462	-	6,417,462
Unrestricted	(199,077,160)	863,905	(198,213,255)
Total net position (deficit)	<u>\$ (73,498,773)</u>	<u>\$ 10,521,201</u>	<u>\$ (62,977,572)</u>

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

City of Hawthorne

**Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 14,701,855	\$ 6,195,983	\$ 4,807,993	\$ -
Public safety	54,381,340	4,242,804	1,430,381	-
Community development	15,498,320	2,148,045	6,333,791	4,712,516
Parks and recreation	4,521,785	709,246	-	-
Public works	10,335,197	1,365,591	2,556,940	2,258,954
Interest on long-term debt	1,348,742	-	-	-
Total governmental activities	100,787,239	14,661,669	15,129,105	6,971,470
Business-type activities:				
Airport	1,230,891	848,115	161,611	-
Sewer and storm drain	2,342,547	1,529,185	-	-
Storm water	-	29,975	-	-
Total business-type activities	3,573,438	2,407,275	161,611	-
Total Primary Government	\$ 104,360,677	\$ 17,068,944	\$ 15,290,716	\$ 6,971,470

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 (Deficit) - Beginning, as restated

Net Position (Deficit) - 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>
\$ (3,697,879)	\$ -	\$ (3,697,879)
(48,708,155)	-	(48,708,155)
(2,303,968)	-	(2,303,968)
(3,812,539)	-	(3,812,539)
(4,153,712)	-	(4,153,712)
(1,348,742)	-	(1,348,742)
<u>(64,024,995)</u>	<u>-</u>	<u>(64,024,995)</u>
-	(221,165)	(221,165)
-	(813,362)	(813,362)
-	29,975	29,975
<u>-</u>	<u>(1,004,552)</u>	<u>(1,004,552)</u>
<u>(64,024,995)</u>	<u>(1,004,552)</u>	<u>(65,029,547)</u>
17,212,040	-	17,212,040
18,498,130	-	18,498,130
5,412,476	-	5,412,476
1,765,717	-	1,765,717
6,314,957	-	6,314,957
6,726,815	-	6,726,815
11,507,607	12,195	11,519,802
100,699	-	100,699
<u>67,538,441</u>	<u>12,195</u>	<u>67,550,636</u>
3,513,446	(992,357)	2,521,089
<u>(77,012,219)</u>	<u>11,513,558</u>	<u>(65,498,661)</u>
<u>\$ (73,498,773)</u>	<u>\$ 10,521,201</u>	<u>\$ (62,977,572)</u>

City of Hawthorne

**Balance Sheet – Governmental Funds
June 30, 2018**

	Special Revenue Funds		
	General	Housing Asset	HOME Grant
ASSETS			
Cash and investments	\$ 18,843,249	\$ 5,715,002	\$ 278,265
Cash and investments with fiscal agents	-	-	-
Receivables:			
Accounts	6,944,045	2,509	875,355
Taxes	299,711	-	-
Interest	17,302	3,084	-
Due from successor agency	-	1,700,366	-
Due from other funds	1,605,446	-	-
Advances to other funds	-	-	-
Inventories	49,432	-	-
Total assets	<u>\$ 27,759,185</u>	<u>\$ 7,420,961</u>	<u>\$ 1,153,620</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 846,556	\$ 7,701	\$ 7,622
Accrued liabilities	757,168	14,742	419
Unearned revenue	15,000	-	-
Deposits payable	25,000	26,415	-
Due to other governments	-	-	872,158
Due to other funds	-	-	-
Advances from other funds	-	-	-
Total liabilities	<u>1,643,724</u>	<u>48,858</u>	<u>880,199</u>
Deferred Inflows of Resources:			
Unavailable revenue	-	1,700,366	-
Fund Balances:			
Nonspendable	49,432	-	-
Restricted	-	5,671,737	273,421
Unassigned	26,066,029	-	-
Total fund balances	<u>26,115,461</u>	<u>5,671,737</u>	<u>273,421</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,759,185</u>	<u>\$ 7,420,961</u>	<u>\$ 1,153,620</u>

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

(continued)

Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Hawthorne Housing Authority		
\$ 510,688	\$ 14,828,661	\$ 40,175,865
-	1,402,265	1,402,265
1,876	453,653	8,277,438
-	21,167	320,878
-	10,979	31,365
-	-	1,700,366
-	-	1,605,446
60,955	117,854	178,809
-	-	49,432
<u>\$ 573,519</u>	<u>\$ 16,834,579</u>	<u>\$ 53,741,864</u>
\$ 5,774	\$ 1,143,639	\$ 2,011,292
63,225	32,606	868,160
14,352	-	29,352
-	17,897	69,312
-	-	872,158
289,431	1,316,015	1,605,446
-	79,239	79,239
<u>372,782</u>	<u>2,589,396</u>	<u>5,534,959</u>
-	111,471	1,811,837
-	-	49,432
200,737	15,083,390	21,229,285
-	(949,678)	25,116,351
<u>200,737</u>	<u>14,133,712</u>	<u>46,395,068</u>
<u>\$ 573,519</u>	<u>\$ 16,834,579</u>	<u>\$ 53,741,864</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, 2018

Fund balances of governmental funds		\$ 46,395,068
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources of the governmental funds. This amount excludes capital assets reported in the internal service funds.		124,770,159
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	\$ 26,981,188	
Pension related deferred inflows of resources	(5,186,913)	
Other post-employment benefits related deferred inflows of resources	(11,504,000)	
Other post-employment benefits related deferred outflows of resources	<u>2,806,000</u>	13,096,275
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.		
Bonds payable	(34,808,717)	
Compensated absences	(3,911,417)	
Net pension liability	(109,772,004)	
Other post-employment benefits obligation	(105,728,000)	
Capital lease payable	(378,119)	
Loan payable - West Basin	(28,585)	
Section 108 loan payable	<u>(2,465,000)</u>	(257,091,842)
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		498,957
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		1,811,837
Accrued interest payable for the interest due on long-term debt has not been reported in the governmental funds.		(515,462)
Internal service funds are used to charge the cost of activities to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.		<u>(2,463,765)</u>
Net position (deficit) of governmental activities		<u>\$ (73,498,773)</u>

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

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City of Hawthorne

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2018**

	General	Special Revenue Funds	
		Housing Asset	HOME Grant
Revenues			
Taxes	\$ 58,314,518	\$ 2,712,832	\$ -
Licenses and permits	2,600,073	-	-
Intergovernmental	1,787,132	-	640,043
Charges for services	2,111,417	-	-
Fines and forfeitures	2,784,593	-	-
Use of money and property	32,285	285,635	145,298
Contributions	450,021	-	-
Miscellaneous	9,688,303	50	-
Total revenues	<u>77,768,342</u>	<u>2,998,517</u>	<u>785,341</u>
Expenditures			
Current:			
General government	10,104,277	-	-
Public safety	47,997,479	-	-
Public works	2,622,217	-	-
Community development	2,389,150	296,336	759,886
Parks and recreation	3,743,089	-	-
Capital outlay	506,783	-	-
Debt service:			
Principal payment	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>67,362,995</u>	<u>296,336</u>	<u>759,886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,405,347</u>	<u>2,702,181</u>	<u>25,455</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	<u>(959,100)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(959,100)</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	9,446,247	2,702,181	25,455
Fund Balances, Beginning	<u>16,669,214</u>	<u>2,969,556</u>	<u>247,966</u>
Fund Balances, Ending	<u>\$ 26,115,461</u>	<u>\$ 5,671,737</u>	<u>\$ 273,421</u>

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

(continued)

Special Revenue Fund Hawthorne Housing Authority	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,927,209	\$ 63,954,559
-	783,997	3,384,070
9,450,470	9,405,644	21,283,289
-	204,414	2,315,831
-	316,747	3,101,340
65	117,402	580,685
-	448,091	898,112
28,153	2,719,029	12,435,535
<u>9,478,688</u>	<u>16,922,533</u>	<u>107,953,421</u>
-	26,110	10,130,387
-	1,376,625	49,374,104
-	9,163,840	11,786,057
9,801,771	1,355,998	14,603,141
-	-	3,743,089
-	1,676,833	2,183,616
-	2,365,154	2,365,154
-	1,207,292	1,207,292
<u>9,801,771</u>	<u>17,171,852</u>	<u>95,392,840</u>
<u>(323,083)</u>	<u>(249,319)</u>	<u>12,560,581</u>
-	2,759,100	2,759,100
-	(1,800,000)	(2,759,100)
-	959,100	-
(323,083)	709,781	12,560,581
<u>523,820</u>	<u>13,423,931</u>	<u>33,834,487</u>
<u>\$ 200,737</u>	<u>\$ 14,133,712</u>	<u>\$ 46,395,068</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, 2018

Net changes in fund balances - total governmental funds \$ 12,560,581

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, net of deletions of capital assets	\$ 3,987,545	
Depreciation expense, net of deletions of capital assets	<u>(4,454,823)</u>	(467,278)

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	(3,668,332)
--	-------------

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:

Principal payments on long-term debt	2,365,153	
Principal payments of capital leases	104,774	
Principal payments of notes payable	7,743	
Changes in pension related items	<u>(5,661,236)</u>	(3,183,566)

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	198,102	
Changes in other post-employment benefits related items	(2,124,000)	
Change in accrued interest	(249,640)	
Amortization of bond discount	(8,498)	
Amortization of bond premium	162,951	
Amortization of deferred amount on refunding	<u>(46,263)</u>	(2,067,348)

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

<u>339,389</u>

Changes in net position of governmental activities

<u>\$ 3,513,446</u>

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

City of Hawthorne

Statement of Net Position Proprietary Funds June 30, 2018

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 956,929	\$ 1,725,605	\$ 131,465	\$ 2,813,999	\$ 1,160,025
Receivables:					
Accounts	32,785	186,597	-	219,382	7,680
Advances to other funds	-	-	-	-	310,000
Inventories	-	-	-	-	14,311
Total current assets	<u>989,714</u>	<u>1,912,202</u>	<u>131,465</u>	<u>3,033,381</u>	<u>1,492,016</u>
Noncurrent assets:					
Capital assets, not depreciated	37,314	-	-	37,314	-
Capital assets, net of depreciation	7,475,522	2,144,460	-	9,619,982	1,432,311
Total noncurrent assets	<u>7,512,836</u>	<u>2,144,460</u>	<u>-</u>	<u>9,657,296</u>	<u>1,432,311</u>
Total assets	<u>8,502,550</u>	<u>4,056,662</u>	<u>131,465</u>	<u>12,690,677</u>	<u>2,924,327</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	<u>369,896</u>	<u>501,660</u>	<u>-</u>	<u>871,556</u>	<u>846,571</u>
LIABILITIES					
Current liabilities:					
Accounts payable	30,896	20,140	-	51,036	216,530
Accrued liabilities	9,396	9,941	-	19,337	-
Unearned revenue	6,934	-	-	6,934	-
Deposits payable	20,208	-	-	20,208	-
Compensated absences	13,866	-	-	13,866	4,778
Advances from other funds	310,000	-	-	310,000	99,570
Claims and judgements	-	-	-	-	692,751
Total current liabilities	<u>391,300</u>	<u>30,081</u>	<u>-</u>	<u>421,381</u>	<u>1,013,629</u>
Noncurrent liabilities:					
Compensated absences	55,465	-	-	55,465	19,113
Claims and judgements	-	-	-	-	2,771,005
Net pension liability	1,091,195	1,431,777	-	2,522,972	2,372,570
Total noncurrent liabilities	<u>1,146,660</u>	<u>1,431,777</u>	<u>-</u>	<u>2,578,437</u>	<u>5,162,688</u>
Total liabilities	<u>1,537,960</u>	<u>1,461,858</u>	<u>-</u>	<u>2,999,818</u>	<u>6,176,317</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related	<u>11,398</u>	<u>29,816</u>	<u>-</u>	<u>41,214</u>	<u>58,346</u>
NET POSITION					
Net investment in capital assets	7,512,836	2,144,460	-	9,657,296	1,432,311
Unrestricted	(189,748)	922,188	131,465	863,905	(3,896,076)
Total net position (deficit)	<u>\$ 7,323,088</u>	<u>\$ 3,066,648</u>	<u>\$ 131,465</u>	<u>\$ 10,521,201</u>	<u>\$ (2,463,765)</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, 2018**

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Sales and service charges	\$ 848,115	\$ 1,529,185	\$ 29,975	\$ 2,407,275	\$ 7,201,284
Intergovernmental	161,611	-	-	161,611	-
Miscellaneous	12,195	-	-	12,195	15,597
Total operating revenues	<u>1,021,921</u>	<u>1,529,185</u>	<u>29,975</u>	<u>2,581,081</u>	<u>7,216,881</u>
OPERATING EXPENSES					
Administration and general	790,447	2,087,030	-	2,877,477	1,972,306
Materials and supplies	16,282	28,854	-	45,136	313,816
Contractual services	61,992	100,785	-	162,777	4,250,081
Cost of sales and services	39,660	61,409	-	101,069	-
Depreciation	322,510	64,469	-	386,979	341,289
Total operating expenses	<u>1,230,891</u>	<u>2,342,547</u>	<u>-</u>	<u>3,573,438</u>	<u>6,877,492</u>
Change in Net Position	(208,970)	(813,362)	29,975	(992,357)	339,389
NET POSITION					
Net Position (Deficit), Beginning, as restated	<u>7,532,058</u>	<u>3,880,010</u>	<u>101,490</u>	<u>11,513,558</u>	<u>(2,803,154)</u>
Net Position (Deficit), Ending	<u>\$ 7,323,088</u>	<u>\$ 3,066,648</u>	<u>\$ 131,465</u>	<u>\$ 10,521,201</u>	<u>\$ (2,463,765)</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, 2018

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities Internal Service Funds
Cash flows from operating activities					
Cash received from customers and users	\$ 1,000,797	\$ 1,464,440	\$ 30,225	\$ 2,495,462	\$ 7,216,825
Cash paid to suppliers for goods and services	(489,061)	(1,695,322)	-	(2,184,383)	(5,658,625)
Cash paid to employees for services	(342,272)	(417,736)	-	(760,008)	(808,094)
Net cash provided by (used for) operating activities	169,464	(648,618)	30,225	(448,929)	750,106
Cash flows from noncapital financing activities					
Cash paid to other funds	-	-	-	-	(33,190)
Net cash used for noncapital financing activities	-	-	-	-	(33,190)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	-	(9,726)	-	(9,726)	(364,862)
Net cash used for capital and related financing activities	-	(9,726)	-	(9,726)	(364,862)
Net increase (decrease) in cash and cash equivalents	169,464	(658,344)	30,225	(458,655)	352,054
Cash and cash equivalents, beginning of year	787,465	2,383,949	101,240	3,272,654	807,971
Cash and cash equivalents, end of year	\$ 956,929	\$ 1,725,605	\$ 131,465	\$ 2,813,999	\$ 1,160,025
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (208,970)	\$ (813,362)	\$ 29,975	\$ (992,357)	\$ 339,389
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	322,510	64,469	-	386,979	341,289
(Increase) decrease in operating assets:					
Accounts receivable	45,132	(64,745)	250	(19,363)	(56)
Deferred outflows of resources	(18,901)	(28,619)	-	(47,520)	13,292
Increase (decrease) in operating liabilities:					
Accounts payable	(49,896)	15,079	-	(34,817)	11,850
Accrued liabilities	808	678	-	1,486	-
Claims and judgements payable	-	-	-	-	(127,784)
Unearned revenue	(66,256)	-	-	(66,256)	-
Compensated absences	(7,549)	-	-	(7,549)	(3,646)
Net pension liability	149,105	177,376	-	326,481	183,450
Deferred inflows of resources	3,481	506	-	3,987	(7,678)
Total adjustments	378,434	164,744	250	543,428	410,717
Net cash provided by (used for) operating activities	\$ 169,464	\$ (648,618)	\$ 30,225	\$ (448,929)	\$ 750,106

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

City of Hawthorne

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018**

	Agency Fund	Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
Assets		
Cash and investments	\$ 2,781,710	\$ 1,125,960
Cash and investments with fiscal agents	4,703,961	902,741
Taxes receivable	29,124	-
Accounts receivable, net	1,598	-
Interest receivable	1,247	1,188
Total assets	<u>\$ 7,517,640</u>	<u>2,029,889</u>
Deferred Outflows of Resources		
Deferred amount on refunding		<u>1,293,848</u>
Liabilities		
Accounts payable	\$ 22,124	4,063
Accrued liabilities	621,000	2,239
Interest payable	-	459,235
Advances from City of Hawthorne	-	44,804,052
Deposits payable	2,731,145	-
Due to bondholders	4,143,371	-
Due to City of Hawthorne	-	1,700,366
Long-term liabilities:		
Due within one year	-	1,720,000
Due in more than one year	-	61,095,768
Total liabilities	<u>\$ 7,517,640</u>	<u>109,785,723</u>
Fiduciary Net Position (Deficit)		
Unrestricted net position (deficit)		<u>\$ (106,461,986)</u>

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, 2018**

	Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund
Revenues	
Taxes	\$ 6,319,359
Use of money and property	27,561
Total revenues	<u>6,346,920</u>
Expenses	
General government	1,370,082
Debt service:	
Interest and fiscal charges	<u>1,416,765</u>
Total expenses	<u>2,786,847</u>
Changes in net position	3,560,073
Net position (deficit) held in trust, beginning	<u>(110,022,059)</u>
Net position (deficit) held in trust, ending	<u>\$ (106,461,986)</u>

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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, 2018**

- 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, however, interfund services provided and used are not eliminated in the process of consolidation. 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, 2018**

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grants, entitlements or shared revenues recorded in governmental funds are recognized as revenue in the accounting period when they become susceptible to accrual, i.e., both measurable and available (modified accrual basis). Grants received before the revenue recognition criteria have been met are reported as unearned revenue, a liability account. Such resources not received are reported as a receivable if the revenue recognition criteria have been met.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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 HOME Grant Special Revenue 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 Special Revenue Fund is used to account for the housing assistance programs for the qualified low-income residents.

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, 2018**

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, 2018**

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, 2018.

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, 2018.

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, 2018**

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, 2018**

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, 2018**

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, 2018**

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, 2018.

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, 2018**

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, 2018**

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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles require 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, 2017
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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

Implementation of New Accounting Principle

GASB has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

This pronouncement has been implemented for purposes of measuring the net OPEB liability and any related deferred outflows/inflows of resources related to OPEB, and OPEB expense/expenditures.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 44,149,889
Cash and investments with fiscal agents	1,402,265
Statement of fiduciary net position:	
Cash and investments	3,907,670
Cash and investments with fiscal agents	<u>5,606,702</u>
Total	<u>\$ 55,066,526</u>

Cash and investments at June 30, 2018, consisted of the following:

Cash and cash equivalents:	
Petty cash	\$ 2,889
Demand deposits - City	36,807,353
Demand deposits - Successor Agency	<u>3,123,583</u>
Total cash and cash equivalents	<u>39,933,825</u>
Investments:	
Local Agency Investment Fund	7,123,770
Negotiable Certificates of Deposit	999,963
Held by Bond Trustee	<u>7,008,968</u>
Total investments	<u>15,132,701</u>
Total	<u>\$ 55,066,526</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, 2018

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, 2018

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, 2018:

Investment Type	Amount	Minimum Legal Rating	AAA	Not Rated
External Investment Pools -				
Local Agency Investment Fund	\$ 7,123,770	N/A	\$ -	\$ 7,123,770
Negotiable Certificates of Deposits	999,963	N/A	999,963	-
US Treasury Notes	616,832	N/A	616,832	
Held by Bond Trustee:				
Money Market Mutual Funds	4,785,698		4,785,698	-
Investment Agreements	<u>1,606,438</u>	N/A	<u>-</u>	<u>1,606,438</u>
Total	<u>\$ 15,132,701</u>		<u>\$ 6,402,493</u>	<u>\$ 8,730,208</u>

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, 2018, the City deposits (bank balances) were collateralized under California Law.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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, 2018, 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, 2018, 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	\$ 7,123,770	\$ -	\$ -	\$ 7,123,770
Negotiable Certificates of Deposits	999,963	-	-	999,963
US Treasury Notes	616,832	-	-	616,832
Held by Bond Trustee:				
Money Market Mutual Funds	4,785,698	-	-	4,785,698
Investment Agreements	-	-	1,606,438	1,606,438
Total Investments	<u>\$ 13,526,263</u>	<u>\$ -</u>	<u>\$ 1,606,438</u>	<u>\$ 15,132,701</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, 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, 2018.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Negotiable Certificates of Deposit	\$ 999,963	\$ -	\$ 999,963	\$ -
US Treasury Notes	616,832	616,832	-	-
Total Investments by Fair Value Level	1,616,795	<u>\$ 616,832</u>	<u>\$ 999,963</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV):				
Local Agency Investment Fund	7,123,770			
Held by Bond Trustee:				
Money Market Mutual Funds	4,785,698			
Investment Agreements	1,606,438			
Total	<u>\$ 15,132,701</u>			

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

3) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2018:

Governmental activities:	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 9,745,120	\$ -	\$ (2,779,092)	\$ 6,966,028
Construction in progress	4,175,195	5,153,132	(5,122,368)	4,205,959
Total capital assets, not being depreciated	<u>13,920,315</u>	<u>5,153,132</u>	<u>(7,901,460)</u>	<u>11,171,987</u>
Capital assets, being depreciated:				
Structures and improvements	55,442,282	11,124	(326,316)	55,127,090
Machinery and equipment:				
City	20,833,793	692,581	(58,763)	21,467,611
Equipment replacement/vehicles	7,663,319	364,862	(92,980)	7,935,201
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	132,665,562	5,122,368	-	137,787,930
Investment in joint venture (RCC)	5,965,734	1,294,879	-	7,260,613
Total capital assets, being depreciated	<u>238,930,244</u>	<u>7,485,814</u>	<u>(478,059)</u>	<u>245,937,999</u>
Less accumulated depreciation for:				
Structures and improvements	(27,732,633)	(1,452,021)	326,316	(28,858,338)
Machinery and equipment:				
City	(19,111,494)	(437,017)	49,773	(19,498,738)
Equipment replacement/vehicles	(6,254,581)	(341,289)	92,980	(6,502,890)
Parking Authority - structures	(16,136,810)	(11,121)	-	(16,147,931)
Infrastructure	(54,731,163)	(2,620,124)	-	(57,351,287)
Investment in joint venture (RCC)	(2,237,702)	(310,630)	-	(2,548,332)
Total accumulated depreciation	<u>(126,204,383)</u>	<u>(5,172,202)</u>	<u>469,069</u>	<u>(130,907,516)</u>
Total capital assets, being depreciated, net	<u>112,725,861</u>	<u>2,313,612</u>	<u>(8,990)</u>	<u>115,030,483</u>
Total governmental activities	<u>\$ 126,646,176</u>	<u>\$ 7,466,744</u>	<u>\$ (7,910,450)</u>	<u>\$126,202,470</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

3) CAPITAL ASSETS, (continued)

Business-type activities:	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 37,314	\$ -	\$ -	\$ 37,314
Total capital assets, not being depreciated	37,314	-	-	37,314
Capital assets, being depreciated:				
Structures and improvements	3,020,110	-	-	3,020,110
Machinery and equipment	28,130	-	-	28,130
Infrastructure:				
Airport	10,723,022	-	-	10,723,022
Storm and sewer drain	12,997,106	9,726	-	13,006,832
Total capital assets, being depreciated	26,768,368	9,726	-	26,778,094
Less accumulated depreciation for:				
Structures and improvements	(1,776,814)	(54,434)	-	(1,831,248)
Machinery and equipment	(28,130)	-	-	(28,130)
Infrastructure:				
Airport	(4,168,295)	(268,076)	-	(4,436,371)
Storm and sewer drain	(10,797,894)	(64,469)	-	(10,862,363)
Total accumulated depreciation	(16,771,133)	(386,979)	-	(17,158,112)
Total capital assets, being depreciated, net	9,997,235	(377,253)	-	9,619,982
Total business-type activities	\$ 10,034,549	\$ (377,253)	\$ -	\$ 9,657,296

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

Governmental Activities:	
General government	\$ 599,891
Public safety	1,360,982
Public works	2,636,118
Community development	84,429
Parks and recreation	149,493
Internal service fund-equipment replacement	341,289
Total depreciation expense – governmental activities	<u>\$ 5,172,202</u>
Business-type Activities:	
Structures and improvements	\$ 54,434
Infrastructure:	
Airport	268,076
Sewer and storm drain	64,469
Total depreciation expense – business-type activities	<u>\$ 386,979</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

3) CAPITAL ASSETS, (continued)

Assets acquired through capital lease are as follows:

Machinery and equipment	\$ 550,651
Less: Accumulated Depreciation	(220,260)
	<u>\$ 330,391</u>

4) INTERFUND ACTIVITY

The following represents the City's interfund activity for the fiscal year ended June 30, 2018.

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, 2018:

Interfund Balances

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 1,605,446	Hawthorne Housing Authority	\$ 289,431
		Non-Major Funds:	
		Community Development Block Grant	392,453
		California Office of Traffic Safety	89,826
		ABC Grant Assistance	20,432
		Local Law Enforcement	38,115
		Edward Byrne Memorial Justice Assistance Program	28,412
		State Gas Tax	706,850
		MTA Measure M	39,927
Totals	<u>\$ 1,605,446</u>		<u>\$ 1,605,446</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, 2018**

4) INTERFUND ACTIVITY, (continued)

Advances to/from Other Funds

Receivable Fund	Amount	Payable Fund	Amount
Major Funds:		Non-Major Funds:	
Hawthorne Housing Authority	\$ 60,955	2016 Refunding Bonds	\$ 79,239
Non-Major Funds:		Internal Service Fund:	
Street	117,854	Insurance Reserve	99,570
Internal Service Fund:		Enterprise Fund:	
Equipment Replacement	310,000	Airport	310,000
Totals	<u>\$ 488,809</u>		<u>\$ 488,809</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, 2018, the City made payments toward the other advances wherever possible to reduce the balances.

Advances to Successor Agency

Receivable Fund	Payable Fund	Amount
General Fund	Successor Agency Private Purpose Trust Fund	<u>\$ 44,804,052</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 \$44,804,052 (including \$25,229,197 of accrued interest) has been reserved as potentially uncollectible as of June 30, 2018.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

4) INTERFUND ACTIVITY, (continued)

Interfund Transfers

<u>Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major Fund:		
General	\$ -	\$ 959,100
Non-Major Funds:		
Gas Tax	-	1,800,000
Street	1,800,000	-
Public Financing Authority	721,980	-
Direct Placement Lease Financing	237,120	-
	<u>\$ 2,759,100</u>	<u>\$ 2,759,100</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 in the amount of \$959,100 to non-major funds consists of \$721,980 for debt service on the 1997/2011 COP bonds, \$237,120 for debt service on the 2007 SBPRCA Series B bonds.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

5) LONG-TERM DEBT

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Governmental Funds:					
Revenue bonds - 2011 Series A	\$ 3,739,852	\$ -	\$ (561,603)	\$ 3,178,249	\$ 582,744
2016 Direct Placement Lease Financing	2,587,550	-	(168,550)	2,419,000	171,900
2016 Certificates of Participation	28,575,000	-	(1,280,000)	27,295,000	1,305,000
Plus (less) deferred amounts:					
Issuance premium	2,181,392	-	(162,951)	2,018,441	-
Issuance discount	(110,471)	-	8,498	(101,973)	-
Total bonds payable	36,973,323	-	(2,164,606)	34,808,717	2,059,644
Compensated absences	4,109,519	1,959,919	(2,158,021)	3,911,417	782,283
Net pension liability	96,787,064	12,984,940	-	109,772,004	-
Other post-employment benefits obligation	115,015,000	-	(9,287,000)	105,728,000	-
Capital lease payable	482,893	-	(104,774)	378,119	108,663
Loan payable - West Basin	36,328	-	(7,743)	28,585	8,139
Section 108 loan payable	2,820,000	-	(355,000)	2,465,000	355,000
Total Governmental Funds	256,224,127	14,944,859	(14,077,144)	257,091,842	3,313,729
Internal Service Funds:					
Claims and judgements	3,591,540	1,163,437	(1,291,221)	3,463,756	692,751
Compensated absences	27,537	11,971	(15,617)	23,891	4,778
Net pension liability	2,189,120	183,450	-	2,372,570	-
Total Internal Service Funds	5,808,197	1,358,858	(1,306,838)	5,860,217	697,529
Total Governmental Activities	\$ 262,032,324	\$ 16,303,717	\$ (15,383,982)	\$ 262,952,059	\$ 4,011,259
Business-Type Activities:					
Compensated absences	\$ 76,880	\$ 34,740	\$ (42,289)	\$ 69,331	\$ 13,866
Net pension liability	2,196,491	326,481	-	2,522,972	-
Total Business-type Activities	\$ 2,273,371	\$ 361,221	\$ (42,289)	\$ 2,592,303	\$ 13,866

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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
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	691,502	14,747	706,249
Total	<u>\$ 3,178,249</u>	<u>\$ 403,509</u>	<u>\$ 3,581,758</u>

2016 Direct Placement Lease Financing

In August 2016, the 2016 Direct Placement Lease Financing was issued in the amount of \$2,730,900 to 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, 2018

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, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 171,900	\$ 64,104	\$ 236,004
2020	180,100	59,548	239,648
2021	182,850	54,776	237,626
2022	190,500	49,930	240,430
2023	192,500	44,882	237,382
2024-2028	1,044,000	144,787	1,188,787
2029-2030	457,150	18,300	475,450
Total	<u>\$ 2,419,000</u>	<u>\$ 436,327</u>	<u>\$ 2,855,327</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, 2018**

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, 2018, are as follows:

Year Ending June 30,	Series A		Series B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	505,800	2,085,000	246,275	2,085,000	752,075
2024-2028	4,615,000	2,350,900	6,880,000	349,103	11,495,000	2,700,003
2029-2030	8,030,000	490,400	-	-	8,030,000	490,400
Total	<u>\$ 12,645,000</u>	<u>\$ 5,370,300</u>	<u>\$ 14,650,000</u>	<u>\$ 1,987,117</u>	<u>\$ 27,295,000</u>	<u>\$ 7,357,417</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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. The liability will be paid in future years by the General, Internal Service, Airport, and Sewer Funds.

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

In 2017, the City entered into a capital lease to acquire equipment. These assets have been capitalized with the obligation shown in the statement of net position. The following is a schedule by year of future minimum lease payments under the capital lease agreement as of June 30, 2018:

Year Ending June 30	Amount
2018	\$ 418,080
Total Payments	418,080
Less: amount representing interest	39,961
Outstanding Principal, June 30, 2018	<u>\$ 378,119</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

5) LONG-TERM DEBT, (continued)

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, 2018 was \$28,585. The total debt service requirements to maturity as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 8,139	\$ 1,343	\$ 9,482
2020	8,555	927	9,482
2021	8,993	489	9,482
2022	<u>2,898</u>	<u>52</u>	<u>2,950</u>
Total	<u>\$ 28,585</u>	<u>\$ 2,811</u>	<u>\$ 31,396</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	355,000	51,835	406,835
2024-2025	690,000	40,797	730,797
Total	<u>\$ 2,465,000</u>	<u>\$ 507,256</u>	<u>\$ 2,972,256</u>

Claims and Judgments

As of June 30, 2018, 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, 2018, total estimated claims payable were \$3,463,756.

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, 2018, the bonds outstanding from these Community Facility Districts totaled \$8,055,000.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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, 2018, the bonds outstanding from this Community Facility District totaled \$3,100,000.

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, 2018, the bonds outstanding from this Community Facility District totaled \$11,910,000.

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. The bonds were fully paid during the fiscal year ending June 30, 2018.

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, 2018, the Special Tax Refunding Bonds outstanding totaled \$1,725,000.

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, 2018

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, 2018 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	\$ 126,202,470	\$ 9,657,296	\$ 135,859,766
Less capital related debt balances:			
Bonds payable	(18,242,249)	-	(18,242,249)
Capital leases payable	(378,119)	-	(378,119)
Loans payable	(2,493,585)	-	(2,493,585)
Total Net Investment in Capital Assets	<u>105,088,517</u>	<u>9,657,296</u>	<u>114,745,813</u>
Restricted for:			
Public works	6,772,717	-	6,772,717
Public safety	539,905	-	539,905
Capital improvements	4,974,337	-	4,974,337
Debt service	1,785,449	-	1,785,449
Community development	6,417,462	-	6,417,462
Total Restricted	<u>20,489,870</u>	<u>-</u>	<u>20,489,870</u>
Unrestricted	<u>(199,077,160)</u>	<u>863,905</u>	<u>(198,213,255)</u>
Total	<u>\$ (73,498,773)</u>	<u>\$ 10,521,201</u>	<u>\$ (62,977,572)</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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, 2016, 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, 2018**

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, 2018, 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	8.00%	5.75%
Required employer contribution rates	10.071%	10.071%

	<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	9.00%	12.25%
Required employer contribution rates	21.418%	12.729%

Employees Covered

At June 30, 2016 (valuation date), the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	321	214
Inactive employees entitled to but not yet receiving benefits	293	63
Active employees	179	87
Total	<u>793</u>	<u>364</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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, 2018, were \$3,973,237.

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, 2018, were \$4,728,485. The actual employer payments of \$4,092,276 made to CalPERS by the City during the measurement period ended June 30, 2017 differed from the City's proportionate share of the employer's contributions of \$5,124,104 by \$1,031,828, 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, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, 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, 2018**

8) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%.
Inflation	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.15%
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, 2016, 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

In fiscal year 2018 (measurement date June 30, 2017), the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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, 2017, was 7.15 percent. The discount rate used to measure the total pension liability in the previous year was 7.65 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 7.15 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 7.15 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, 2018

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, 2018**

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: 6/30/2016 (VD)	\$ 179,734,900	\$ 131,887,603	\$ 47,847,297
Changes Recognized for the Measurement Period:			
• Service Cost	2,423,798		2,423,798
• Interest on the Total Pension Liability	13,232,559		13,232,559
• Changes of Benefit Terms			
• Changes of Assumptions	10,775,154		
• Differences between Expected and Actual Experience	(1,869,811)		(1,869,811)
• Plan to Plan Resource Movement			
• Contributions from the Employer		3,304,427	(3,304,427)
• Contributions from Employees		973,001	(973,001)
• Net Investment Income		14,402,918	(14,402,918)
• Benefit Payments, including Refunds of Employee Contributions	(9,562,803)	(9,562,803)	-
• Administrative Expense		(194,723)	194,723
Net Changes during 2016-17	14,998,897	8,922,820	6,076,077
Balance at: 6/30/2017 (MD)	\$ 194,733,797	\$ 140,810,423	\$ 53,923,374

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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: 6/30/2016 (MD)	\$ 196,078,535	\$ 142,753,157	\$ 53,325,378
Balance at: 6/30/2017 (MD)	209,225,691	148,481,519	60,744,172
Net Changes during 2016-17	13,147,156	5,728,362	7,418,794

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, 2016, rolled forward to June 30, 2017, 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, 2016, and 2017, was as follows:

	<u>Safety</u>
Proportionate Share of NPL - June 30, 2016	1.02960%
Proportionate Share of NPL - June 30, 2017	1.01660%
Change - Decrease	(0.01300%)

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan's Net Pension Liability	\$ 79,724,173	\$ 53,923,374	\$ 32,683,950
Safety Plan's Net Pension Liability	\$ 90,018,416	\$ 60,744,172	\$ 36,813,937

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, 2018**

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, 2017, measurement date is 2.2 years, which was obtained by dividing the total service years of 1,748 (the sum of remaining service lifetimes of the active employees) by 793 (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, 2017, is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of the active employees) by 130,595 (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, 2018

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, 2016), the net pension liability is \$47,847,297. For the measurement period ending June 30, 2017 (the measurement date), the City incurred a pension expense of \$8,385,518 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,423,798
Interest on the Total Pension Liability	13,232,559
Recognized Changes of Assumptions	4,500,537
Differences Between Expected and Actual Experience	(1,737,087)
Plan to Plan Resource Movement	-
Contributions - Employees	(973,001)
Projected Earnings on Pension Plan Investments	(9,198,757)
Recognized Differences Between Projected and Actual Earnings on Plan Investments	(57,254)
Administrative Expenses	194,723
Total Pension Expense	\$ 8,385,518

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

As of the start of the measurement period (July 1, 2016), the net pension liability for the safety plans is \$53,325,378. For the measurement period ending June 30, 2017 (the measurement date), the City incurred a pension expense of \$6,444,532 for the safety plan.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

8) RETIREMENT PLAN, (continued)

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

As of June 30, 2018, 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	\$ -	\$ (1,184,970)	\$ 611,022	\$ (159,310)
Changes of Assumptions	5,877,357	-	8,861,355	(679,867)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,098,419	-	1,932,122	-
Change in Employer's Proportion	-	-	617,318	(1,446,736)
Difference in Actual vs Projected Contributions	-	-	-	(1,815,590)
Pension Contributions Subsequent to Measurement Date	3,973,237	-	4,728,485	-
	<u>\$ 11,949,013</u>	<u>\$ (1,184,970)</u>	<u>\$ 16,750,302</u>	<u>\$ (4,101,503)</u>

These amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense. The \$3,973,237 and \$4,728,485 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, 2018	\$ 3,825,554	\$ 1,087,816
2019	3,144,597	4,992,144
2020	861,488	2,970,908
2021	(1,040,833)	(1,130,554)
2022	-	-
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, 2018.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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 or family less the retiree contribution of \$14.15 per month for 2-party coverage or \$23.99 per month for family coverage.

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. The City does not provide dental, vision, Medicare Part B, or life insurance as part of the plan.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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

Employees Covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	267
Inactive employees or beneficiaries currently receiving benefits	252
Inactive employees entitled to, but not yet receiving benefits	<u>75</u>
Total	<u><u>594</u></u>

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 City pays for postemployment health insurance on a pay-as-you-go basis (no prefunding). For fiscal year 2017-2018, the City paid \$2,806,000 for other postemployment benefits.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation using the Alternative Measurement Method dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2017 Measurement Date
Actuarial Valuation Date	June 30, 2017
Contribution Policy	No pre-funding
Discount Rate	3.58%
General Inflation	3.00%
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2011 Experience Study
Salary increases	3.25%
Medical Trend	Non-Medicare – 7.5% for 2019, decreasing to an ultimate rate of 4.00% in 2076 and later Medicare – 6.5% for 2019, decreasing to an ultimate rate of 4.00% in 2076 and later
Healthcare Participation	Current Actives: 95% Current Retirees: 100% if covered, 20% re-elect at 65 if waived

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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

Discount Rate

A discount rate of 3.58 percent was used in the valuation for measurement date June 30, 2017.

Changes in the OPEB Liability

The changes in the net OPEB liability for the Plan are as follows:

	(a)	(b) Plan	(a) - (b) = (c)
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017 (6/30/16 measurement date)	<u>\$ 115,015,000</u>	<u>\$ -</u>	<u>\$ 115,015,000</u>
Changes recognized for the measurement period:			
Service cost	4,251,000	-	4,251,000
Interest	3,360,000	-	3,360,000
Changes of assumptions	(14,185,000)	-	(14,185,000)
Benefit payments	<u>(2,713,000)</u>	<u>-</u>	<u>(2,713,000)</u>
Net changes	<u>(9,287,000)</u>	<u>-</u>	<u>(9,287,000)</u>
Balance at June 30, 2018 (6/30/17 measurement date)	<u><u>\$ 105,728,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 105,728,000</u></u>

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

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability	\$ 125,877,000	\$ 105,728,000	\$ 90,044,000

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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

Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rates

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 88,854,000	\$ 105,728,000	\$ 127,609,000

OPEB Plan Fiduciary Net Position

As the City is not prefunding with an OPEB trust, Plan Fiduciary Net Position was \$0 at the June 30, 2017 measurement date.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is amortized using the straight-line method over 5 years, while all other amounts are amortized over the expected average remaining service lifetime (EARSL) of plan participants.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$4,930,000. As of fiscal year ended June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 11,504,000
Contributions to OPEB plan subsequent to the measurement date	2,806,000	-
Total	<u>\$ 2,806,000</u>	<u>\$ 11,504,000</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB,
(continued)**

The \$2,806,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows or inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2019	\$ (2,681,000)
2020	(2,681,000)
2021	(2,681,000)
2022	(2,681,000)
2023	(780,000)
Thereafter	-
	<u>\$ (11,504,000)</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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 \$3,463,756 reported in the Insurance Reserve Fund at June 30, 2018, 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 2018 and 2017, were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payment</u>	<u>Ending Balances</u>
2016-2017	\$ 2,106,917	\$ 3,080,317	\$(1,595,694)	\$ 3,591,540
2017-2018	3,591,540	1,163,437	(1,291,221)	3,463,756

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, 2018**

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 2017-2018, the City was assessed \$3,403,913, 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, 2018, SBRPCA's preliminary financial information is as follows:

Net Position	
Total assets	\$ 14,949,597
Total deferred outflows of resources	2,402,389
Total liabilities	9,970,347
Total deferred inflows of resources	<u>722,890</u>
Total net position	<u>\$ 6,658,749</u>
Change in Net Position	
Operating revenues	\$ 16,259,682
Operating expenses	<u>12,262,736</u>
Operating income	3,996,946
Nonoperating revenues (expenses)	<u>(629,983)</u>
Change in net position	3,366,963
Beginning net position, as restated	<u>3,291,786</u>
Ending net position	<u>\$ 6,658,749</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, 2018**

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, 2018</u>
Deferred outflow of resources	
Unamortized loss on defeasance of debt	<u>\$ 498,957</u>
	<u>Governmental Activities Balance at June 30, 2018</u>
Deferred inflow of resources	
Unavailable Revenue - Receivables that were not received within the availability period and were not recognized as revenues	<u>\$ 1,811,837</u>

Refer to Note 8 for deferred outflows and inflows of resources related to pensions and Note 9 for deferred outflows and inflows of resources related to other post-employment benefits.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Tax allocation bonds	\$ 29,430,000	\$ -	\$ (1,640,000)	\$ 27,790,000	\$ 1,720,000
Plus deferred amounts:					
Issuance premium	4,967,715	-	(248,385)	4,719,330	-
Total bonds payable	34,397,715	-	(1,888,385)	32,509,330	1,720,000
Notes payable	29,464,438	1,125,000	(283,000)	30,306,438	-
	<u>\$ 63,862,153</u>	<u>\$ 1,125,000</u>	<u>\$ (2,171,385)</u>	<u>\$ 62,815,768</u>	<u>\$ 1,720,000</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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

Disclosure of Successor Agency Debts, (continued)

	Balance at <u>June 30, 2018</u>
Tax Allocation Bonds	
Hawthorne Plaza Project Area No. 1:	
<u>2001 Tax Allocation Refunding Bonds</u>	
The 2001 Tax Allocation Refunding Bonds bear interest ranging from 5.500% to 6.875% per annum and payable on March 1 and September 1. Principal payments ranging from \$295,000 to \$410,000 are due annually on September 1, beginning in the year 2003 through the year 2020.	<u>\$ 1,155,000</u>
Subtotal Hawthorne Plaza Project Area No. 1	<u>1,155,000</u>
Redevelopment Project Area 2:	
<u>2016 Tax Allocation Bonds</u>	
2016 Project Area No. 2 Tax Allocations Bonds, Series 2016 was issued to (a) refund certain outstanding bonds issued by the former Community Redevelopment Agency of the City of Hawthorne (the "Former Agency"), the proceeds of which were used to finance and refinance redevelopment activities of the Former Agency, (b) purchase a municipal bond insurance policy in lieu of funding a debt service reserve fund for the Bonds, and (c) provide for the costs of issuing the Bonds. The Bonds are payable from and secured by a first lien on the Tax Revenues, as defined in the Indenture, and moneys in certain funds and accounts established under the Indenture. The bonds consist of \$29,785,000 serial bonds with an annual maturity dates from September 1, 2016 through September 1, 2036, bearing interest ranging from 2.00% to 5.00%.	<u>26,635,000</u>
Subtotal Redevelopment Project Area 2:	<u>26,635,000</u>
Total Tax Allocation Bonds Payable	<u><u>\$ 27,790,000</u></u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2018

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, 2018:

2001 Tax Allocation Refunding Bonds

Year Ending June 30,	Principal	Interest	Total
2019	\$ 360,000	\$ 79,406	\$ 439,406
2020	385,000	54,656	439,656
2021	410,000	28,188	438,188
Total	<u>\$ 1,155,000</u>	<u>\$ 162,250</u>	<u>\$ 1,317,250</u>

2016 Tax Allocation Bonds

June 30,	Principal	Interest	Total
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	1,645,000	999,125	2,644,125
2024 - 2028	6,630,000	3,858,250	10,488,250
2029 - 2033	6,280,000	2,378,750	8,658,750
2034 - 2037	6,250,000	644,000	6,894,000
Total	<u>\$ 26,635,000</u>	<u>\$ 12,634,325</u>	<u>\$ 39,269,325</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2018**

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.

\$ 30,306,438

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, 2018**

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, 2018**

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, 2018:

Fund	Amount
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Gas Tax	\$ (532,657)
California Office of Traffic Safety	(74,527)
Local Law Enforcement Block Grant	(38,112)
Edward Byrne Memorial Justice Assistance Program	(28,412)
Community Development Block Grant	(455,773)
ABC Grant Assistance Program	(835)
MTA Measure M	(165,841)
Internal Service Fund:	
Insurance Reserve	(4,581,930)

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, 2018

16) PRIOR PERIOD RESTATEMENT

Fund Statements

During fiscal year 2017-18, a prior period adjustment was needed to correct the beginning fund balance in the Equipment Replacement Internal Service Fund. The amount of adjustment affecting the cumulative results of operations was due to an error that occurred in previous years.

Internal Service Fund - Equipment Replacement

Fund balance, beginning, as previously reported	\$ 1,716,794
Prior period adjustment	<u>215,112</u>
Fund balance, beginning, as restated	<u><u>\$ 1,931,906</u></u>

A prior period adjustment of a net effect of \$215,112, comprised of vehicles and equipment that were improperly recorded as disposed in previous years.

Government Wide Statements

In addition to the prior period adjustment in the Equipment Replacement Internal Service Fund, the City's net position was restated as follows due to the implementation of GASBS 75. As discussed in Note 1, the City implemented GASB Statement No. 75 effective July 1, 2017. GASB 75, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For other postemployment benefits (OPEB), the City's net OPEB pension liability was not previously recorded on the statement of net position. GASB 75 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. Accordingly, beginning net position on the Financial Statements has been restated for changes related to GASB 75 as follows:

Government-Wide Statements

Statement of Activities - Governmental Activities

Net position, beginning of year, prior to restatement	<u>\$ 6,903,496</u>
Elimination of OPEB liability as calculated under GASB 45	28,171,173
Recording of initial Net OPEB liability as calculated under GASB 75	(115,015,000)
Recording of initial Net OPEB related deferred amounts as calculated under GASB 75	<u>2,713,000</u>
Restatement due to change in accounting principle	<u>(84,130,827)</u>
Prior period adjustment	<u>215,112</u>
Net position, beginning of year, as restated	<u><u>\$ (77,012,219)</u></u>

**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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 51,904,855	\$ 51,803,855	\$ 58,314,518	\$ 6,510,663
Licenses and permits	1,905,000	1,700,000	2,600,073	900,073
Intergovernmental	1,891,798	1,897,798	1,787,132	(110,666)
Charges for services	2,044,250	2,379,766	2,111,417	(268,349)
Fines and forfeitures	2,800,000	2,730,000	2,784,593	54,593
Use of money and property	20,000	-	32,285	32,285
Contributions	450,000	450,000	450,021	21
Miscellaneous	8,877,200	8,833,000	9,688,303	855,303
Total revenues	<u>69,893,103</u>	<u>69,794,419</u>	<u>77,768,342</u>	<u>7,973,923</u>
Expenditures				
Current:				
General government:				
Mayor and city council	3,816,517	3,816,517	4,820,278	(1,003,761)
City clerk	175,463	178,463	169,050	9,413
City manager	806,753	806,753	451,270	355,483
City treasurer	34,729	34,729	32,257	2,472
City attorney	496,675	496,675	425,017	71,658
Administrative services	4,368,152	4,365,340	4,206,405	158,935
Public safety:				
Police	37,560,763	37,560,763	37,800,882	(240,119)
Fire services contract	10,532,344	10,532,344	10,196,597	335,747
Community development:				
Planning	1,455,500	1,455,500	1,492,020	(36,520)
Building and safety	1,042,770	1,042,770	897,130	145,640
Parks and recreation	3,766,507	3,779,007	3,743,089	35,918
Public works	2,913,496	2,913,496	2,622,217	291,279
Capital outlay	350,064	352,876	506,783	(153,907)
Total expenditures	<u>67,319,733</u>	<u>67,335,233</u>	<u>67,362,995</u>	<u>(27,762)</u>
Excess of revenues over expenditures	<u>2,573,370</u>	<u>2,459,186</u>	<u>10,405,347</u>	<u>7,946,161</u>
Other Financing Sources (Uses)				
Transfers out	<u>(3,116)</u>	<u>(3,116)</u>	<u>(959,100)</u>	<u>(955,984)</u>
Total other financing sources (uses)	<u>(3,116)</u>	<u>(3,116)</u>	<u>(959,100)</u>	<u>(955,984)</u>
Net change in fund balance	2,570,254	2,456,070	9,446,247	6,990,177
Fund balance, beginning of year	<u>16,669,214</u>	<u>16,669,214</u>	<u>16,669,214</u>	<u>-</u>
Fund balance, end of year	<u>\$ 19,239,468</u>	<u>\$ 19,125,284</u>	<u>\$ 26,115,461</u>	<u>\$ 6,990,177</u>

Required Supplementary Information
Major Special Revenue Funds

Major Special Revenue Funds

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

The 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.

City of Hawthorne

Budgetary Comparison Schedule Housing Asset For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 705,996	\$ 705,996	\$ 2,712,832	\$ 2,006,836
Use of money and property	330,196	330,196	285,635	(44,561)
Miscellaneous	-	-	50	50
Total revenues	<u>1,036,192</u>	<u>1,036,192</u>	<u>2,998,517</u>	<u>1,962,325</u>
Expenditures				
Current:				
Community development	<u>331,177</u>	<u>331,177</u>	<u>296,336</u>	<u>34,841</u>
Total expenditures	<u>331,177</u>	<u>331,177</u>	<u>296,336</u>	<u>34,841</u>
Net change in fund balance	705,015	705,015	2,702,181	1,997,166
Fund balance, beginning	<u>2,969,556</u>	<u>2,969,556</u>	<u>2,969,556</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,674,571</u>	<u>\$ 3,674,571</u>	<u>\$ 5,671,737</u>	<u>\$ 1,997,166</u>

City of Hawthorne

Budgetary Comparison Schedule HOME Grant For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 406,782	\$ 406,782	\$ 640,043	\$ 233,261
Use of money and property	-	-	145,298	145,298
Total revenues	<u>406,782</u>	<u>406,782</u>	<u>785,341</u>	<u>378,559</u>
Expenditures				
Current:				
Community development	<u>406,782</u>	<u>406,782</u>	<u>759,886</u>	<u>(353,104)</u>
Total expenditures	<u>406,782</u>	<u>406,782</u>	<u>759,886</u>	<u>(353,104)</u>
Net change in fund balance	-	-	25,455	25,455
Fund balance, beginning	<u>247,966</u>	<u>247,966</u>	<u>247,966</u>	<u>-</u>
Fund balance, ending	<u>\$ 247,966</u>	<u>\$ 247,966</u>	<u>\$ 273,421</u>	<u>\$ 25,455</u>

City of Hawthorne

**Budgetary Comparison Schedule
Hawthorne Housing Authority
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 15,865,173	\$ 15,865,173	\$ 9,450,470	\$ (6,414,703)
Use of money and property	-	-	65	65
Miscellaneous	50,000	50,000	28,153	(21,847)
Total revenues	<u>15,915,173</u>	<u>15,915,173</u>	<u>9,478,688</u>	<u>(6,436,485)</u>
Expenditures				
Current:				
Community development	15,812,231	15,812,231	9,801,771	6,010,460
Total expenditures	<u>15,812,231</u>	<u>15,812,231</u>	<u>9,801,771</u>	<u>6,010,460</u>
Net change in fund balance	102,942	102,942	(323,083)	(426,025)
Fund balance, beginning	<u>523,820</u>	<u>523,820</u>	<u>523,820</u>	<u>-</u>
Fund balance, ending	<u>\$ 626,762</u>	<u>\$ 626,762</u>	<u>\$ 200,737</u>	<u>\$ (426,025)</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	Measurement Period 2014-15
TOTAL PENSION LIABILITY		
Service Cost	\$ 2,388,303	\$ 2,320,007
Interest	12,438,551	12,647,730
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	-	(3,637,760)
Changes of Assumptions	-	(3,045,664)
Benefit Payments, Including Refunds of Employee Contributions	(8,546,377)	(8,707,272)
Net Change in Total Pension Liability	6,280,477	(422,959)
Total Pension Liability - Beginning	168,926,377	175,206,854
Total Pension Liability - Ending (a)	\$ 175,206,854	\$ 174,783,895
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 2,197,052	\$ 2,628,948
Contributions - Employee Paid Member Contributions	-	-
Contributions - Employee	1,118,891	1,100,494
Net Investment Income	20,960,975	3,019,296
Benefit Payments, Including Refunds of Employee Contributions	(8,546,377)	(8,707,272)
Plan to Plan Resource Movement	-	(36,608)
Administrative Expenses	-	(154,341)
Net Change in Fiduciary Net Position	15,730,541	(2,149,483)
Plan Fiduciary Net Position - Beginning	123,176,915	138,907,456
Plan Fiduciary Net Position - Ending (b)	\$ 138,907,456	\$ 136,757,973
Plan Net Position Liability - Ending (a) - (b)	\$ 36,299,398	\$ 38,025,922
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.28%	78.24%
Covered Payroll	\$ 13,000,397	\$ 13,145,259
Plan Net Pension Liability as a Percentage of Covered Payroll	279.22%	289.27%

* Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation, therefore, only four 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 the June 30, 2016 valuation date. 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 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) 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.

Measurement Period 2015-16	Measurement Period 2016-17
\$ 2,435,899	\$ 2,423,798
13,024,281	13,232,559
-	-
(990,439)	(1,869,811)
-	10,775,154
(9,518,736)	(9,562,803)
4,951,005	14,998,897
174,783,895	179,734,900
<u>\$ 179,734,900</u>	<u>\$ 194,733,797</u>
\$ 2,956,754	\$ 3,304,427
-	-
1,074,004	973,001
700,955	14,402,918
(9,518,736)	(9,562,803)
-	-
(83,347)	(194,723)
(4,870,370)	8,922,820
136,757,973	131,887,603
<u>\$ 131,887,603</u>	<u>\$ 140,810,423</u>
<u>\$ 47,847,297</u>	<u>\$ 53,923,374</u>
73.38%	72.31%
\$ 14,172,919	\$ 12,670,141
337.60%	425.59%

City of Hawthorne

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

Miscellaneous Plan

Fiscal Year	Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	6/30/2014	\$ 2,628,948	\$ (2,628,948)	\$ -	\$ 13,145,259	20.00%
6/30/2016	6/30/2015	2,956,754	(2,956,754)	-	14,172,919	20.86%
6/30/2017	6/30/2016	3,304,427	(3,304,427)	-	12,670,141	26.08%
6/30/2018	6/30/2017	3,973,237	(3,973,237)	-	12,512,240	31.75%

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

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2014, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2014 Funding Valuation Report
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2014 Funding Valuation
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.15% Net of Pension Plan Investment Expenses; includes Inflation
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using

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

<u>Measurement Date</u>	<u>Employer's Proportion of the Collective Net Pension Liability¹</u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability as a percentage of the Employer's Covered Payroll</u>	<u>Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability</u>
6/30/2014	0.56329%	\$ 35,050,308	\$ 9,859,032	355.51%	81.42%
6/30/2015	1.00384%	41,362,512	9,229,395	448.16%	78.28%
6/30/2016	1.02960%	53,325,378	8,569,976	622.23%	72.80%
6/30/2017	1.01660%	60,744,172	7,590,002	800.32%	71.90%

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 four years are presented.

City of Hawthorne

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

Safety Plan

Fiscal Year	Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	6/30/2014	\$ 2,714,348	\$ (2,714,348)	\$ -	\$ 9,229,395	29.41%
6/30/2016	6/30/2015	3,638,229	(3,638,229)	-	8,569,976	42.45%
6/30/2017	6/30/2016	4,092,276	(4,092,276)	-	7,590,002	53.92%
6/30/2018	6/30/2017	4,728,485	(4,728,485)	-	10,129,496	46.68%

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

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: In fiscal year 2018, the accounting discount rate was reduced from 7.65% to 7.15%

City of Hawthorne

**Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Measurement Period Ended June 30, 2017**

Fiscal Year Measurement Period	<u>2017-18</u> <u>2016-17</u>
Total OPEB Liability	
Service cost	\$ 4,251,000
Interest	3,360,000
Changes of assumptions	(14,185,000)
Benefit payments	<u>(2,713,000)</u>
Net change in total OPEB liability	(9,287,000)
Total OPEB liability - beginning	<u>115,015,000</u>
Total OPEB liability - ending (a)	<u>105,728,000</u>
Plan Fiduciary Net Position	
Contributions – employer	-
Net investment income	-
Benefit payments	-
Administrative expense	-
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	<u>-</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 105,728,000</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered-employee payroll	\$ 24,186,000
Net OPEB liability as a percentage of covered payroll	437.1%

Notes to Schedule:

Changes in assumptions: Discount rate increased from 2.85% at June 30, 2016 to 3.58% at June 30, 2017

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Fiscal Year 2017-18 was the first year of implementation

General Budget Policies

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

Budgets for all governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for the General Special Revenue, Capital Project and Debt Service Funds, with the exception of the HPR Special Revenue Fund.

City of Hawthorne

Notes to Required Supplementary Information June 30, 2018

Excess of Expenditures over Appropriations

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

Fund	Appropriations	Expenditures	Excess
Major Governmental Fund			
General Fund:			
General government:			
Mayor and city council	\$ 3,816,517	\$ 4,820,278	\$ (1,003,761)
Public safety:			
Police	37,560,763	37,800,882	(240,119)
Community development:			
Planning	1,455,500	1,492,020	(36,520)
Capital outlay	352,876	506,783	(153,907)
HOME Grant:			
Community development	406,782	759,886	(353,104)
Nonmajor Governmental Funds			
Special Revenue Funds:			
Street Lighting:			
Public works	699,001	710,014	(11,013)
Street:			
Public works	2,121,793	2,226,085	(104,292)
Asset Forfeiture:			
Capital outlay	280,001	509,151	(229,150)
Traffic Safety:			
Public safety	236,377	242,585	(6,208)
Capital outlay	-	89	(89)
Prop C:			
Public works	1,280,995	1,664,604	(383,609)
Air Quality:			
Capital outlay	-	95,281	(95,281)
Community Development Block Grant:			
Community development	1,070,911	1,241,167	(170,256)
MTA Measure M:			
Public works	1,021,666	1,090,190	(68,524)
Development Impact:			
Capital outlay	-	79	(79)

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 Alcoholic Beverage Control ("ABC") Grant Assistance Program Fund is used to account for financial assistance to local law enforcement's agencies to expand efforts in addressing alcohol-related problems.

The MTA Measure M Fund is used to account for the ongoing maintenance and Capital Improvement Transportation Fund.

Non-Major Governmental Funds, Continued)

Capital Projects Fund

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

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

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.

Debt Service Funds (continued)

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, 2018**

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
ASSETS				
Cash and investments	\$ 76,514	\$ -	\$ 1,309,477	\$ 338,487
Cash with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	185,799	57,311	14,670
Taxes	16,281	-	4,886	-
Interest	36	-	900	-
Advances to other funds	-	-	117,854	-
Total assets	<u>\$ 92,831</u>	<u>\$ 185,799</u>	<u>\$ 1,490,428</u>	<u>\$ 353,157</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 89,164	\$ 11,606	\$ 53,025	\$ 28,237
Accrued liabilities	1,697	-	18,501	-
Deposits payable	-	-	-	-
Due to other funds	-	706,850	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>90,861</u>	<u>718,456</u>	<u>71,526</u>	<u>28,237</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficits):				
Restricted	1,970	-	1,418,902	324,920
Unassigned	-	(532,657)	-	-
Total fund balances	<u>1,970</u>	<u>(532,657)</u>	<u>1,418,902</u>	<u>324,920</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 92,831</u>	<u>\$ 185,799</u>	<u>\$ 1,490,428</u>	<u>\$ 353,157</u>

(continued)

Special Revenue Funds				
COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	MTA Measure R	Proposition A
\$ 252,877	\$ -	\$ -	\$ 1,260,030	\$ 1,199,693
-	-	-	-	-
-	61,516	3	-	-
-	-	-	-	-
220	-	-	936	957
-	-	-	-	-
<u>\$ 253,097</u>	<u>\$ 61,516</u>	<u>\$ 3</u>	<u>\$ 1,260,966</u>	<u>\$ 1,200,650</u>
\$ -	\$ 904	\$ -	\$ 12,542	\$ 265,788
-	2,188	-	418	-
-	-	-	-	-
-	89,826	38,115	-	-
-	-	-	-	-
<u>-</u>	<u>92,918</u>	<u>38,115</u>	<u>12,960</u>	<u>265,788</u>
<u>-</u>	<u>43,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
253,097	-	-	1,248,006	934,862
-	(74,527)	(38,112)	-	-
<u>253,097</u>	<u>(74,527)</u>	<u>(38,112)</u>	<u>1,248,006</u>	<u>934,862</u>
<u>\$ 253,097</u>	<u>\$ 61,516</u>	<u>\$ 3</u>	<u>\$ 1,260,966</u>	<u>\$ 1,200,650</u>

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018**

	Special Revenue Funds			
	Proposition C	Air Quality	California Used Oil Recycling	California Beverage Container Recycling
ASSETS				
Cash and investments	\$ 1,728,344	\$ 109,787	\$ 134,066	\$ 122,181
Cash with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	28,861	-	-
Taxes	-	-	-	-
Interest	1,337	154	106	97
Advances to other funds	-	-	-	-
Total assets	<u>\$ 1,729,681</u>	<u>\$ 138,802</u>	<u>\$ 134,172</u>	<u>\$ 122,278</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 498,822	\$ 430	\$ -	\$ -
Accrued liabilities	2,732	-	142	284
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>501,554</u>	<u>430</u>	<u>142</u>	<u>284</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficits):				
Restricted	1,228,127	138,372	134,030	121,994
Unassigned	-	-	-	-
Total fund balances	<u>1,228,127</u>	<u>138,372</u>	<u>134,030</u>	<u>121,994</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,729,681</u>	<u>\$ 138,802</u>	<u>\$ 134,172</u>	<u>\$ 122,278</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	
\$ 2,503,091	\$ 15,153	\$ -	\$ 104,517	\$ -	\$ 229,141	
-	-	-	-	-	-	
-	-	68,346	-	-	593	
-	-	-	-	-	-	
1,982	-	-	61	-	-	
-	-	-	-	-	-	
<u>\$ 2,505,073</u>	<u>\$ 15,153</u>	<u>\$ 68,346</u>	<u>\$ 104,578</u>	<u>\$ -</u>	<u>\$ 229,734</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
902	-	-	492	-	-	
-	-	-	-	-	-	
-	-	28,412	-	-	-	
-	-	-	-	-	-	
<u>902</u>	<u>-</u>	<u>28,412</u>	<u>492</u>	<u>-</u>	<u>-</u>	
-	-	68,346	-	-	-	
2,504,171	15,153	-	-	-	229,734	
-	-	(28,412)	104,086	-	-	
<u>2,504,171</u>	<u>15,153</u>	<u>(28,412)</u>	<u>104,086</u>	<u>-</u>	<u>229,734</u>	
<u>\$ 2,505,073</u>	<u>\$ 15,153</u>	<u>\$ 68,346</u>	<u>\$ 104,578</u>	<u>\$ -</u>	<u>\$ 229,734</u>	

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018**

	Special Revenue Funds			Capital Projects Fund
	Community Development Block Grant	ABC Grant Assistance Program	MTA Measure M	Development Impact
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 4,740,873
Cash with fiscal agents	-	-	-	-
Receivables:				
Accounts	16,042	20,512	-	-
Taxes	-	-	-	-
Interest	-	-	77	3,730
Advances to other funds	-	-	-	-
Total assets	<u>\$ 16,042</u>	<u>\$ 20,512</u>	<u>\$ 77</u>	<u>\$ 4,744,603</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 59,092	\$ -	\$ 124,029	\$ -
Accrued liabilities	2,373	915	1,962	-
Deposits payable	17,897	-	-	-
Due to other funds	392,453	20,432	39,927	-
Advances from other funds	-	-	-	-
Total liabilities	<u>471,815</u>	<u>21,347</u>	<u>165,918</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficits):				
Restricted	-	-	-	4,744,603
Unassigned	(455,773)	(835)	(165,841)	-
Total fund balances	<u>(455,773)</u>	<u>(835)</u>	<u>(165,841)</u>	<u>4,744,603</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,042</u>	<u>\$ 20,512</u>	<u>\$ 77</u>	<u>\$ 4,744,603</u>

(continued)

Debt Service Funds			Total Nonmajor Governmental Funds
Public Financing Authority	2016 Refunding Bonds	2016 Direct Placement Lease Financing	
\$ 267,871	\$ 321,476	\$ 115,083	\$ 14,828,661
1,402,225	40	-	1,402,265
-	-	-	453,653
-	-	-	21,167
211	116	59	10,979
-	-	-	117,854
<u>\$ 1,670,307</u>	<u>\$ 321,632</u>	<u>\$ 115,142</u>	<u>\$ 16,834,579</u>
\$ -	-	\$ -	\$ 1,143,639
-	-	-	32,606
-	-	-	17,897
-	-	-	1,316,015
-	79,239	-	79,239
<u>-</u>	<u>79,239</u>	<u>-</u>	<u>2,589,396</u>
-	-	-	111,471
1,670,307	-	115,142	15,083,390
-	242,393	-	(949,678)
<u>1,670,307</u>	<u>242,393</u>	<u>115,142</u>	<u>14,133,712</u>
<u>\$ 1,670,307</u>	<u>\$ 321,632</u>	<u>\$ 115,142</u>	<u>\$ 16,834,579</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2018**

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
Revenues				
Taxes	\$ 579,695	\$ 2,347,514	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	132,000	-	85,555	-
Charges for services	-	-	195,745	-
Fines and forfeitures	-	-	-	316,747
Use of money and property	36	-	3,413	311
Contributions	-	-	-	212,268
Miscellaneous	-	-	170,000	-
Total revenues	<u>711,731</u>	<u>2,347,514</u>	<u>454,713</u>	<u>529,326</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	820,709
Public works	710,014	712,744	2,226,085	-
Community development	-	-	-	-
Capital outlay	-	259,061	-	509,151
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>710,014</u>	<u>971,805</u>	<u>2,226,085</u>	<u>1,329,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,717</u>	<u>1,375,709</u>	<u>(1,771,372)</u>	<u>(800,534)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	1,800,000	-
Transfers out	-	(1,800,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,800,000)</u>	<u>1,800,000</u>	<u>-</u>
Net change in fund balances	1,717	(424,291)	28,628	(800,534)
Fund Balances (Deficit), Beginning	<u>253</u>	<u>(108,366)</u>	<u>1,390,274</u>	<u>1,125,454</u>
Fund Balances (Deficit), Ending	<u>\$ 1,970</u>	<u>\$ (532,657)</u>	<u>\$ 1,418,902</u>	<u>\$ 324,920</u>

(continued)

Special Revenue Funds				
COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	MTA Measure R	Proposition A
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
187,544	199,549	-	1,019,836	1,641,543
-	-	-	-	8,669
-	-	-	-	-
953	-	26	3,687	3,469
-	-	-	-	-
-	-	-	-	-
<u>188,497</u>	<u>199,549</u>	<u>26</u>	<u>1,023,523</u>	<u>1,653,681</u>
-	-	-	-	-
200,000	242,585	48,516	-	-
-	-	-	138,028	1,391,753
-	-	-	-	-
-	89	-	745,787	-
-	-	-	-	-
-	-	-	-	-
<u>200,000</u>	<u>242,674</u>	<u>48,516</u>	<u>883,815</u>	<u>1,391,753</u>
(11,503)	(43,125)	(48,490)	139,708	261,928
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(11,503)	(43,125)	(48,490)	139,708	261,928
<u>264,600</u>	<u>(31,402)</u>	<u>10,378</u>	<u>1,108,298</u>	<u>672,934</u>
<u>\$ 253,097</u>	<u>\$ (74,527)</u>	<u>\$ (38,112)</u>	<u>\$ 1,248,006</u>	<u>\$ 934,862</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2018**

	Special Revenue Funds			
	Proposition C	Air Quality	California Used Oil Recycling	California Beverage Container Recycling
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,360,540	112,631	23,709	123,871
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	5,367	606	399	375
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,365,907</u>	<u>113,237</u>	<u>24,108</u>	<u>124,246</u>
Expenditures				
Current:				
General government	-	-	-	18,212
Public safety	-	-	-	-
Public works	1,664,604	-	-	-
Community development	-	104,330	10,406	-
Capital outlay	-	95,281	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,664,604</u>	<u>199,611</u>	<u>10,406</u>	<u>18,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(298,697)</u>	<u>(86,374)</u>	<u>13,702</u>	<u>106,034</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(298,697)	(86,374)	13,702	106,034
Fund Balances (Deficit), Beginning	<u>1,526,824</u>	<u>224,746</u>	<u>120,328</u>	<u>15,960</u>
Fund Balances (Deficit), Ending	<u>\$ 1,228,127</u>	<u>\$ 138,372</u>	<u>\$ 134,030</u>	<u>\$ 121,994</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	83,217
1,833,281	-	-	209,426	53,732	-
-	-	-	-	-	-
-	-	-	-	-	-
6,491	-	-	87	-	-
235,823	-	-	-	-	-
-	-	-	-	-	-
<u>2,075,595</u>	<u>-</u>	<u>-</u>	<u>209,513</u>	<u>53,732</u>	<u>83,217</u>
-	-	-	-	-	-
-	-	19,830	-	-	-
1,124,995	-	-	105,427	-	-
-	-	-	-	(709)	-
-	-	-	-	-	67,385
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,124,995</u>	<u>-</u>	<u>19,830</u>	<u>105,427</u>	<u>(709)</u>	<u>67,385</u>
950,600	-	(19,830)	104,086	54,441	15,832
-	-	-	-	-	-
-	-	-	-	-	-
950,600	-	(19,830)	104,086	54,441	15,832
<u>1,553,571</u>	<u>15,153</u>	<u>(8,582)</u>	<u>-</u>	<u>(54,441)</u>	<u>213,902</u>
<u>\$ 2,504,171</u>	<u>\$ 15,153</u>	<u>\$ (28,412)</u>	<u>\$ 104,086</u>	<u>\$ -</u>	<u>\$ 229,734</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2018**

	Special Revenue Funds			Capital Projects Fund
	Community Development Block Grant	ABC Grant Assistance Program	MTA Measure M	Development Impact
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	700,780
Intergovernmental	1,454,072	44,150	924,205	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	59,800	-	144	14,807
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,513,872</u>	<u>44,150</u>	<u>924,349</u>	<u>715,587</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	44,985	-	-
Public works	-	-	1,090,190	-
Community development	1,241,167	-	-	804
Capital outlay	-	-	-	79
Debt service:				
Principal retirement	355,000	-	-	-
Interest and fiscal charges	56,603	-	-	-
Total expenditures	<u>1,652,770</u>	<u>44,985</u>	<u>1,090,190</u>	<u>883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(138,898)</u>	<u>(835)</u>	<u>(165,841)</u>	<u>714,704</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(138,898)	(835)	(165,841)	714,704
Fund Balances (Deficit), Beginning	<u>(316,875)</u>	<u>-</u>	<u>-</u>	<u>4,029,899</u>
Fund Balances (Deficit), Ending	<u>\$ (455,773)</u>	<u>\$ (835)</u>	<u>\$ (165,841)</u>	<u>\$ 4,744,603</u>

(continued)

Debt Service Funds			
Public Financing Authority	2016 Refunding Bonds	2016 Direct Placement Lease Financing	Total
\$ -	\$ -	\$ -	\$ 2,927,209
-	-	-	783,997
-	-	-	9,405,644
-	-	-	204,414
-	-	-	316,747
16,911	290	230	117,402
-	-	-	448,091
-	2,549,029	-	2,719,029
<u>16,911</u>	<u>2,549,319</u>	<u>230</u>	<u>16,922,533</u>
5,044	-	2,854	26,110
-	-	-	1,376,625
-	-	-	9,163,840
-	-	-	1,355,998
-	-	-	1,676,833
561,604	1,280,000	168,550	2,365,154
<u>160,742</u>	<u>921,377</u>	<u>68,570</u>	<u>1,207,292</u>
<u>727,390</u>	<u>2,201,377</u>	<u>239,974</u>	<u>17,171,852</u>
<u>(710,479)</u>	<u>347,942</u>	<u>(239,744)</u>	<u>(249,319)</u>
721,980	-	237,120	2,759,100
-	-	-	(1,800,000)
<u>721,980</u>	<u>-</u>	<u>237,120</u>	<u>959,100</u>
11,501	347,942	(2,624)	709,781
<u>1,658,806</u>	<u>(105,549)</u>	<u>117,766</u>	<u>13,423,931</u>
<u>\$ 1,670,307</u>	<u>\$ 242,393</u>	<u>\$ 115,142</u>	<u>\$ 14,133,712</u>

City of Hawthorne

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Street Lighting For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 576,000	\$ 576,000	\$ 579,695	\$ 3,695
Intergovernmental	132,000	132,000	132,000	-
Use of money and property	-	-	36	36
Total revenues	<u>708,000</u>	<u>708,000</u>	<u>711,731</u>	<u>3,731</u>
Expenditures				
Current:				
Public works	699,001	699,001	710,014	(11,013)
Total expenditures	<u>699,001</u>	<u>699,001</u>	<u>710,014</u>	<u>(11,013)</u>
Net change in fund balance	8,999	8,999	1,717	(7,282)
Fund balance, beginning	<u>253</u>	<u>253</u>	<u>253</u>	<u>-</u>
Fund balance, ending	<u>\$ 9,252</u>	<u>\$ 9,252</u>	<u>\$ 1,970</u>	<u>\$ (7,282)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Gas Tax
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,454,027	\$ 2,454,027	\$ 2,347,514	\$ (106,513)
Use of money and property	800	800	-	(800)
Total revenues	<u>2,454,827</u>	<u>2,454,827</u>	<u>2,347,514</u>	<u>(107,313)</u>
Expenditures				
Current:				
Public works	443,067	942,736	712,744	229,992
Capital Outlay	260,000	260,000	259,061	939
Total expenditures	<u>703,067</u>	<u>1,202,736</u>	<u>971,805</u>	<u>230,931</u>
Excess of revenues over expenditures	<u>1,751,760</u>	<u>1,252,091</u>	<u>1,375,709</u>	<u>123,618</u>
Other Financing Sources (Uses)				
Transfers out	(1,825,530)	(1,825,530)	(1,800,000)	25,530
Total other financing sources (uses)	<u>(1,825,530)</u>	<u>(1,825,530)</u>	<u>(1,800,000)</u>	<u>25,530</u>
Net change in fund balance	(73,770)	(573,439)	(424,291)	149,148
Fund balance (deficit), beginning	<u>(108,366)</u>	<u>(108,366)</u>	<u>(108,366)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (182,136)</u>	<u>\$ (681,805)</u>	<u>\$ (532,657)</u>	<u>\$ 149,148</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Street
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 77,164	\$ 77,164	\$ 85,555	\$ 8,391
Charges for services	191,000	191,000	195,745	4,745
Use of money and property	1,000	1,000	3,413	2,413
Miscellaneous	170,000	170,000	170,000	-
Total revenues	<u>439,164</u>	<u>439,164</u>	<u>454,713</u>	<u>15,549</u>
Expenditures				
Current:				
Public works	<u>2,121,793</u>	<u>2,121,793</u>	<u>2,226,085</u>	<u>(104,292)</u>
Total expenditures	<u>2,121,793</u>	<u>2,121,793</u>	<u>2,226,085</u>	<u>(104,292)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,682,629)</u>	<u>(1,682,629)</u>	<u>(1,771,372)</u>	<u>(88,743)</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	117,371	117,371	28,628	(88,743)
Fund balance, beginning	<u>1,390,274</u>	<u>1,390,274</u>	<u>1,390,274</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,507,645</u>	<u>\$ 1,507,645</u>	<u>\$ 1,418,902</u>	<u>\$ (88,743)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Asset Forfeiture
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 1,100,000	\$ 1,700,000	\$ 316,747	\$ (1,383,253)
Use of money and property	200	200	311	111
Contributions	1,585,830	1,585,830	212,268	(1,373,562)
Total revenues	<u>2,686,030</u>	<u>3,286,030</u>	<u>529,326</u>	<u>(2,756,704)</u>
Expenditures				
Current:				
Public safety	2,158,470	3,537,812	820,709	2,717,103
Capital outlay	250,000	280,001	509,151	(229,150)
Total expenditures	<u>2,408,470</u>	<u>3,817,813</u>	<u>1,329,860</u>	<u>2,487,953</u>
Net change in fund balance	277,560	(531,783)	(800,534)	(268,751)
Fund balance, beginning	<u>1,125,454</u>	<u>1,125,454</u>	<u>1,125,454</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,403,014</u>	<u>\$ 593,671</u>	<u>\$ 324,920</u>	<u>\$ (268,751)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
COPS
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 187,544	\$ 37,544
Use of money and property	300	300	953	653
Total revenues	<u>150,300</u>	<u>150,300</u>	<u>188,497</u>	<u>38,197</u>
Expenditures				
Current:				
Public safety	200,000	200,000	200,000	-
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balance	(49,700)	(49,700)	(11,503)	38,197
Fund balance, beginning	<u>264,600</u>	<u>264,600</u>	<u>264,600</u>	<u>-</u>
Fund balance, ending	<u>\$ 214,900</u>	<u>\$ 214,900</u>	<u>\$ 253,097</u>	<u>\$ 38,197</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, 2018**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 247,705	\$ 187,905	\$ 199,549	\$ 11,644
Total revenues	<u>247,705</u>	<u>187,905</u>	<u>199,549</u>	<u>11,644</u>
Expenditures				
Current:				
Public safety	173,405	236,377	242,585	(6,208)
Capital outlay	14,500	-	89	(89)
Total expenditures	<u>187,905</u>	<u>236,377</u>	<u>242,674</u>	<u>(6,297)</u>
Net change in fund balance	59,800	(48,472)	(43,125)	5,347
Fund balance (deficit), beginning	<u>(31,402)</u>	<u>(31,402)</u>	<u>(31,402)</u>	-
Fund balance (deficit), ending	<u>\$ 28,398</u>	<u>\$ (79,874)</u>	<u>\$ (74,527)</u>	<u>\$ 5,347</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, 2018**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 26	\$ 26
Total revenues	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>
Expenditures				
Current:				
Public safety	-	50,021	48,516	1,505
Total expenditures	<u>-</u>	<u>50,021</u>	<u>48,516</u>	<u>1,505</u>
Net change in fund balance	-	(50,021)	(48,490)	1,531
Fund balance, beginning	<u>10,378</u>	<u>10,378</u>	<u>10,378</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 10,378</u>	<u>\$ (39,643)</u>	<u>\$ (38,112)</u>	<u>\$ 1,531</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, 2018**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,015,704	\$ 1,015,704	\$ 1,019,836	\$ 4,132
Use of money and property	1,500	1,500	3,687	2,187
Total revenues	<u>1,017,204</u>	<u>1,017,204</u>	<u>1,023,523</u>	<u>6,319</u>
Expenditures				
Current:				
Public works	174,055	174,055	138,028	36,027
Capital outlay	850,000	850,000	745,787	104,213
Total expenditures	<u>1,024,055</u>	<u>1,024,055</u>	<u>883,815</u>	<u>140,240</u>
Net change in fund balance	(6,851)	(6,851)	139,708	146,559
Fund balance, beginning	<u>1,108,298</u>	<u>1,108,298</u>	<u>1,108,298</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,101,447</u>	<u>\$ 1,101,447</u>	<u>\$ 1,248,006</u>	<u>\$ 146,559</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Proposition A
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,632,655	\$ 1,632,655	\$ 1,641,543	\$ 8,888
Charges for services	13,000	13,000	8,669	(4,331)
Use of money and property	700	700	3,469	2,769
Total revenues	<u>1,646,355</u>	<u>1,646,355</u>	<u>1,653,681</u>	<u>7,326</u>
Expenditures				
Current:				
Public works	<u>1,441,060</u>	<u>1,445,060</u>	<u>1,391,753</u>	<u>53,307</u>
Total expenditures	<u>1,441,060</u>	<u>1,445,060</u>	<u>1,391,753</u>	<u>53,307</u>
Net change in fund balance	205,295	201,295	261,928	60,633
Fund balance, beginning	<u>672,934</u>	<u>672,934</u>	<u>672,934</u>	<u>-</u>
Fund balance, ending	<u>\$ 878,229</u>	<u>\$ 874,229</u>	<u>\$ 934,862</u>	<u>\$ 60,633</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Proposition C
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,354,245	\$ 1,354,245	\$ 1,360,540	\$ 6,295
Use of money and property	1,500	1,500	5,367	3,867
Total revenues	<u>1,355,745</u>	<u>1,355,745</u>	<u>1,365,907</u>	<u>10,162</u>
Expenditures				
Current:				
Public works	<u>1,280,995</u>	<u>1,280,995</u>	<u>1,664,604</u>	<u>(383,609)</u>
Total expenditures	<u>1,280,995</u>	<u>1,280,995</u>	<u>1,664,604</u>	<u>(383,609)</u>
Net change in fund balance	74,750	74,750	(298,697)	(373,447)
Fund balance, beginning	<u>1,526,824</u>	<u>1,526,824</u>	<u>1,526,824</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,601,574</u>	<u>\$ 1,601,574</u>	<u>\$ 1,228,127</u>	<u>\$ (373,447)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Air Quality
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 112,631	\$ (87,369)
Use of money and property	200	200	606	406
Total revenues	<u>200,200</u>	<u>200,200</u>	<u>113,237</u>	<u>(86,963)</u>
Expenditures				
Current:				
Community development	206,840	206,840	104,330	102,510
Capital outlay	-	-	95,281	(95,281)
Total expenditures	<u>206,840</u>	<u>206,840</u>	<u>199,611</u>	<u>7,229</u>
Net change in fund balance	(6,640)	(6,640)	(86,374)	(79,734)
Fund balance, beginning	<u>224,746</u>	<u>224,746</u>	<u>224,746</u>	-
Fund balance, ending	<u>\$ 218,106</u>	<u>\$ 218,106</u>	<u>\$ 138,372</u>	<u>\$ (79,734)</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 23,709	\$ 1,709
Use of money and property	120	120	399	279
Total revenues	<u>22,120</u>	<u>22,120</u>	<u>24,108</u>	<u>1,988</u>
Expenditures				
Current:				
Community development	<u>16,769</u>	<u>16,769</u>	<u>10,406</u>	<u>6,363</u>
Total expenditures	<u>16,769</u>	<u>16,769</u>	<u>10,406</u>	<u>6,363</u>
Net change in fund balance	5,351	5,351	13,702	8,351
Fund balance, beginning	<u>120,328</u>	<u>120,328</u>	<u>120,328</u>	<u>-</u>
Fund balance, ending	<u>\$ 125,679</u>	<u>\$ 125,679</u>	<u>\$ 134,030</u>	<u>\$ 8,351</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 123,871	\$ 101,871
Use of money and property	-	-	375	375
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>124,246</u>	<u>102,246</u>
Expenditures				
Current:				
General government	<u>18,234</u>	<u>18,234</u>	<u>18,212</u>	<u>22</u>
Total expenditures	<u>18,234</u>	<u>18,234</u>	<u>18,212</u>	<u>22</u>
Net change in fund balance	3,766	3,766	106,034	102,268
Fund balance, beginning	<u>15,960</u>	<u>15,960</u>	<u>15,960</u>	<u>-</u>
Fund balance, ending	<u>\$ 19,726</u>	<u>\$ 19,726</u>	<u>\$ 121,994</u>	<u>\$ 102,268</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,800,000	\$ 1,800,000	\$ 1,833,281	\$ 33,281
Use of money and property	900	900	6,491	5,591
Contributions	6,700,000	6,700,000	235,823	(6,464,177)
Total revenues	<u>8,500,900</u>	<u>8,500,900</u>	<u>2,075,595</u>	<u>(6,425,305)</u>
Expenditures				
Current:				
Public works	11,109,697	11,109,697	1,124,995	9,984,702
Total expenditures	<u>11,109,697</u>	<u>11,109,697</u>	<u>1,124,995</u>	<u>9,984,702</u>
Net change in fund balance	(2,608,797)	(2,608,797)	950,600	3,559,397
Fund balance, beginning	1,553,571	1,553,571	1,553,571	-
Fund balance, ending	<u>\$ (1,055,226)</u>	<u>\$ (1,055,226)</u>	<u>\$ 2,504,171</u>	<u>\$ 3,559,397</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Public safety	-	36,752	19,830	16,922
Total expenditures	-	36,752	19,830	16,922
Net change in fund balance	-	(36,752)	(19,830)	16,922
Fund balance (deficit), beginning	(8,582)	(8,582)	(8,582)	-
Fund balance (deficit), ending	\$ (8,582)	\$ (45,334)	\$ (28,412)	\$ 16,922

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Hawthorne Blvd Mobility Improvement Program
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 600,000	\$ 600,000	\$ 209,426	\$ (390,574)
Use of money and property	-	-	87	87
Total revenues	<u>600,000</u>	<u>600,000</u>	<u>209,513</u>	<u>(390,487)</u>
Expenditures				
Current:				
Public works	<u>120,000</u>	<u>120,000</u>	<u>105,427</u>	<u>14,573</u>
Total expenditures	<u>120,000</u>	<u>120,000</u>	<u>105,427</u>	<u>14,573</u>
Net change in fund balance	480,000	480,000	104,086	(375,914)
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ 480,000</u>	<u>\$ 480,000</u>	<u>\$ 104,086</u>	<u>\$ (375,914)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
CATV Peg
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 100,000	\$ 100,000	\$ 83,217	\$ (16,783)
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>83,217</u>	<u>(16,783)</u>
Expenditures				
Capital outlay	96,000	96,000	67,385	28,615
Total expenditures	<u>96,000</u>	<u>96,000</u>	<u>67,385</u>	<u>28,615</u>
Net change in fund balance	4,000	4,000	15,832	11,832
Fund balance, beginning	<u>213,902</u>	<u>213,902</u>	<u>213,902</u>	<u>-</u>
Fund balance, ending	<u>\$ 217,902</u>	<u>\$ 217,902</u>	<u>\$ 229,734</u>	<u>\$ 11,832</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,485,638	\$ 1,485,638	\$ 1,454,072	\$ (31,566)
Use of money and property	-	-	59,800	59,800
Total revenues	<u>1,485,638</u>	<u>1,485,638</u>	<u>1,513,872</u>	<u>28,234</u>
Expenditures				
Current:				
Community development	1,070,911	1,070,911	1,241,167	(170,256)
Debt service:				
Principal retirement	355,000	355,000	355,000	-
Interest and fiscal charges	<u>59,727</u>	<u>59,727</u>	<u>56,603</u>	<u>3,124</u>
Total expenditures	<u>1,485,638</u>	<u>1,485,638</u>	<u>1,652,770</u>	<u>(167,132)</u>
Net change in fund balance	-	-	(138,898)	(138,898)
Fund balance (deficit), beginning	<u>(316,875)</u>	<u>(316,875)</u>	<u>(316,875)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (316,875)</u>	<u>\$ (316,875)</u>	<u>\$ (455,773)</u>	<u>\$ (138,898)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Alcoholic Beverage Control Grant Assistance Program Fund
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 49,850	\$ 49,850	\$ 44,150	\$ (5,700)
Total revenues	<u>49,850</u>	<u>49,850</u>	<u>44,150</u>	<u>(5,700)</u>
Expenditures				
Current:				
Public Safety	49,850	49,850	44,985	4,865
Total expenditures	<u>49,850</u>	<u>49,850</u>	<u>44,985</u>	<u>4,865</u>
Net change in fund balance	-	-	(835)	(835)
Fund balance, beginning	-	-	-	-
Fund balance (deficit), ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (835)</u>	<u>\$ (835)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
MTA Measure M
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,036,925	\$ 1,036,925	\$ 924,205	\$ (112,720)
Use of money and property	-	-	144	144
Total revenues	<u>1,036,925</u>	<u>1,036,925</u>	<u>924,349</u>	<u>(112,576)</u>
Expenditures				
Current:				
Public Works	<u>1,021,666</u>	<u>1,021,666</u>	<u>1,090,190</u>	<u>(68,524)</u>
Total expenditures	<u>1,021,666</u>	<u>1,021,666</u>	<u>1,090,190</u>	<u>(68,524)</u>
Net change in fund balance	15,259	15,259	(165,841)	(181,100)
Fund balance, beginning	-	-	-	-
Fund balance (deficit), ending	<u>\$ 15,259</u>	<u>\$ 15,259</u>	<u>\$ (165,841)</u>	<u>\$ (181,100)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Development Impact
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 100,000	\$ 100,000	\$ 700,780	\$ 600,780
Use of money and property	4,000	4,000	14,807	10,807
Total revenues	<u>104,000</u>	<u>104,000</u>	<u>715,587</u>	<u>611,587</u>
Expenditures				
Current:				
Community development	804	804	804	-
Capital outlay	-	-	79	(79)
Total expenditures	<u>804</u>	<u>804</u>	<u>883</u>	<u>(79)</u>
Net change in fund balance	103,196	103,196	714,704	611,508
Fund balance, beginning	<u>4,029,899</u>	<u>4,029,899</u>	<u>4,029,899</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,133,095</u>	<u>\$ 4,133,095</u>	<u>\$ 4,744,603</u>	<u>\$ 611,508</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 100	\$ 100	\$ 16,911	\$ 16,811
Total revenues	<u>100</u>	<u>100</u>	<u>16,911</u>	<u>16,811</u>
Expenditures				
Current:				
General government	9,404	9,404	5,044	4,360
Debt service:				
Principal retirement	561,603	561,603	561,604	(1)
Interest and fiscal charges	204,393	204,393	160,742	43,651
Total expenditures	<u>775,400</u>	<u>775,400</u>	<u>727,390</u>	<u>48,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(775,300)</u>	<u>(775,300)</u>	<u>(710,479)</u>	<u>64,821</u>
Other Financing Sources				
Transfers in	<u>765,996</u>	<u>765,996</u>	<u>721,980</u>	<u>(44,016)</u>
Total other financing sources	<u>765,996</u>	<u>765,996</u>	<u>721,980</u>	<u>(44,016)</u>
Net change in fund balance	(9,304)	(9,304)	11,501	20,805
Fund balance, beginning	<u>1,658,806</u>	<u>1,658,806</u>	<u>1,658,806</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,649,502</u>	<u>\$ 1,649,502</u>	<u>\$ 1,670,307</u>	<u>\$ 20,805</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 100	\$ 100	\$ 290	\$ 190
Miscellaneous	2,605,924	2,605,924	2,549,029	(56,895)
Total revenues	<u>2,606,024</u>	<u>2,606,024</u>	<u>2,549,319</u>	<u>(56,705)</u>
Expenditures				
Debt service:				
Principal retirement	1,745,482	1,745,482	1,280,000	465,482
Interest and fiscal charges	505,895	505,895	921,377	(415,482)
Total expenditures	<u>2,251,377</u>	<u>2,251,377</u>	<u>2,201,377</u>	<u>50,000</u>
Net change in fund balance	354,647	354,647	347,942	(6,705)
Fund balance (deficit), beginning	<u>(105,549)</u>	<u>(105,549)</u>	<u>(105,549)</u>	<u>-</u>
Fund balance, ending	<u>\$ 249,098</u>	<u>\$ 249,098</u>	<u>\$ 242,393</u>	<u>\$ (6,705)</u>

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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 300	\$ 300	\$ 230	\$ (70)
Total revenues	<u>300</u>	<u>300</u>	<u>230</u>	<u>(70)</u>
Expenditures				
Current:				
General government	5,704	5,704	2,854	2,850
Debt service:				
Principal retirement	3,066,900	3,066,900	168,550	2,898,350
Interest and fiscal charges	68,570	68,570	68,570	-
Bond issuance costs	108,692	108,692	-	108,692
Total expenditures	<u>3,249,866</u>	<u>3,249,866</u>	<u>239,974</u>	<u>3,009,892</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,249,566)</u>	<u>(3,249,566)</u>	<u>(239,744)</u>	<u>3,009,822</u>
Other Financing Sources				
Proceeds from debt	2,730,900	2,730,900	-	(2,730,900)
Transfers in	237,120	237,120	237,120	-
Total other financing sources	<u>2,968,020</u>	<u>2,968,020</u>	<u>237,120</u>	<u>(2,730,900)</u>
Net change in fund balance	(281,546)	(281,546)	(2,624)	278,922
Fund balance, beginning	<u>117,766</u>	<u>117,766</u>	<u>117,766</u>	<u>-</u>
Fund balance, ending	<u>\$ (163,780)</u>	<u>\$ (163,780)</u>	<u>\$ 115,142</u>	<u>\$ 278,922</u>

City of Hawthorne

**Combining Statement of Net Position
Internal Service Funds
June 30, 2018**

ASSETS	Equipment Replacement	Insurance Reserve	Total
Current Assets:			
Cash and investments	\$ 1,160,025	\$ -	\$ 1,160,025
Receivables:			
Accounts	7,431	249	7,680
Advances to other funds	310,000	-	310,000
Inventories	14,311	-	14,311
Total current assets	<u>1,491,767</u>	<u>249</u>	<u>1,492,016</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,432,311	-	1,432,311
Total noncurrent assets	<u>1,432,311</u>	<u>-</u>	<u>1,432,311</u>
Total assets	<u>2,924,078</u>	<u>249</u>	<u>2,924,327</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	416,828	429,743	846,571
LIABILITIES			
Current liabilities:			
Accounts payable	136,482	80,048	216,530
Compensated absences	4,778	-	4,778
Advances from other funds	-	99,570	99,570
Claims and judgements	-	692,751	692,751
Total current liabilities	<u>141,260</u>	<u>872,369</u>	<u>1,013,629</u>
Noncurrent liabilities:			
Compensated absences	19,113	-	19,113
Claims and judgements	-	2,771,005	2,771,005
Net pension liability	1,041,159	1,331,411	2,372,570
Total noncurrent liabilities	<u>1,060,272</u>	<u>4,102,416</u>	<u>5,162,688</u>
Total liabilities	<u>1,201,532</u>	<u>4,974,785</u>	<u>6,176,317</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	21,209	37,137	58,346
NET POSITION			
Net investment in capital assets	1,432,311	-	1,432,311
Unrestricted	685,854	(4,581,930)	(3,896,076)
Total net position	<u>\$ 2,118,165</u>	<u>\$ (4,581,930)</u>	<u>\$ (2,463,765)</u>

City of Hawthorne

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2018**

	Equipment Replacement	Insurance Reserve	Total
OPERATING REVENUES			
Sales and service charges	\$ 2,166,564	\$ 5,034,720	\$ 7,201,284
Miscellaneous	15,597	-	15,597
	<u>2,182,161</u>	<u>5,034,720</u>	<u>7,216,881</u>
Total operating revenues			
	<u>2,182,161</u>	<u>5,034,720</u>	<u>7,216,881</u>
OPERATING EXPENSES			
Administration and general	1,294,607	677,699	1,972,306
Materials and supplies	313,816	-	313,816
Contractual services	46,190	4,203,891	4,250,081
Depreciation	341,289	-	341,289
	<u>1,995,902</u>	<u>4,881,590</u>	<u>6,877,492</u>
Total operating expenses			
	<u>1,995,902</u>	<u>4,881,590</u>	<u>6,877,492</u>
Change in net position	186,259	153,130	339,389
NET POSITION			
Net position (deficit), beginning, as restated	<u>1,931,906</u>	<u>(4,735,060)</u>	<u>(2,803,154)</u>
Net position (deficit), ending	<u>\$ 2,118,165</u>	<u>\$ (4,581,930)</u>	<u>\$ (2,463,765)</u>

City of Hawthorne

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018**

	Equipment Replacement	Insurance Reserve	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 2,180,367	\$ 5,036,458	\$ 7,216,825
Cash paid to suppliers for goods and services	(1,093,105)	(4,565,520)	(5,658,625)
Cash paid to employees for services	(370,346)	(437,748)	(808,094)
Net cash provided by operating activities	<u>716,916</u>	<u>33,190</u>	<u>750,106</u>
Cash flows from noncapital financing activities			
Cash paid to other funds	-	(33,190)	(33,190)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(33,190)</u>	<u>(33,190)</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(364,862)	-	(364,862)
Net cash used for capital and related financing activities	<u>(364,862)</u>	<u>-</u>	<u>(364,862)</u>
Net increase in cash and cash equivalents	352,054	-	352,054
Cash and cash equivalents, beginning of year	<u>807,971</u>	<u>-</u>	<u>807,971</u>
Cash and cash equivalents, end of year	<u>\$ 1,160,025</u>	<u>\$ -</u>	<u>\$ 1,160,025</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	<u>\$ 186,259</u>	<u>\$ 153,130</u>	<u>\$ 339,389</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	341,289	-	341,289
(Increase) decrease in operating assets:			
Accounts receivable	(1,794)	1,738	(56)
Deferred outflows of resources	(31,952)	45,244	13,292
Increase (decrease) in operating liabilities:			
Accounts payable	66,843	(54,993)	11,850
Claims and judgements payable	-	(127,784)	(127,784)
Compensated absences	(3,646)	-	(3,646)
Net pension liability	157,351	26,099	183,450
Deferred inflows of resources	2,566	(10,244)	(7,678)
Total adjustments	<u>530,657</u>	<u>(119,940)</u>	<u>410,717</u>
Net cash provided by operating activities	<u>\$ 716,916</u>	<u>\$ 33,190</u>	<u>\$ 750,106</u>

City of Hawthorne

**Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2018**

	Community Facilities Districts	City Agency	Totals
Assets			
Cash and investments	\$ 42,116	\$ 2,739,594	\$ 2,781,710
Receivables:			
Taxes	29,124	-	29,124
Interest	1,247	-	1,247
Accounts, net	-	1,598	1,598
Restricted assets:			
Cash and investments with fiscal agents	4,703,961	-	4,703,961
Total assets	<u>\$ 4,776,448</u>	<u>\$ 2,741,192</u>	<u>\$ 7,517,640</u>
Liabilities			
Accounts payable	\$ 12,077	\$ 10,047	\$ 22,124
Accrued liabilities	621,000	-	621,000
Deposits payable	-	2,731,145	2,731,145
Due to bondholders	4,143,371	-	4,143,371
Total liabilities	<u>\$ 4,776,448</u>	<u>\$ 2,741,192</u>	<u>\$ 7,517,640</u>

City of Hawthorne

Combining Statement of Changes in Assets and Liabilities All Agency Funds For the Year Ended June 30, 2018

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
<u>Community Facilities Districts</u>				
Assets				
Cash and investments	\$ 1,459,292	\$ 5,214,868	\$ 6,632,044	\$ 42,116
Taxes receivable	29,631	29,123	29,630	29,124
Interest receivable	642	1,247	642	1,247
Restricted assets:				
Cash and investments with fiscal agents	5,946,086	5,279,660	6,521,785	4,703,961
Total Assets	\$ 7,435,651	\$ 10,524,898	\$ 13,184,101	\$ 4,776,448
Liabilities				
Accounts payable	\$ 2,889	\$ 105,646	\$ 96,458	\$ 12,077
Accrued liabilities	621,000	-	-	621,000
Due to City of Hawthorne	2,532,284	-	2,532,284	-
Due to bondholders	4,279,478	5,252,860	5,388,967	4,143,371
Total Liabilities	\$ 7,435,651	\$ 5,358,506	\$ 8,017,709	\$ 4,776,448
<u>City Agency</u>				
Assets				
Cash and investments	\$ 2,274,087	\$ 7,825,787	\$ 7,360,280	\$ 2,739,594
Accounts receivable, net	745	1,599	746	1,598
Total Assets	\$ 2,274,832	\$ 7,827,386	\$ 7,361,026	\$ 2,741,192
Liabilities				
Accounts payable	\$ 61,928	\$ 1,544,346	\$ 1,596,227	\$ 10,047
Deposits payable	2,212,904	8,687,522	8,169,281	2,731,145
Total Liabilities	\$ 2,274,832	\$ 10,231,868	\$ 9,765,508	\$ 2,741,192
<u>Combined Agency Funds</u>				
Assets				
Cash and investments	\$ 3,733,379	\$ 13,040,655	\$ 13,992,324	\$ 2,781,710
Accounts receivable, net	745	1,599	746	1,598
Taxes receivable	29,631	29,123	29,630	29,124
Interest receivable	642	1,247	642	1,247
Restricted assets:				
Cash and investments with fiscal agents	5,946,086	5,279,660	6,521,785	4,703,961
Total Assets	\$ 9,710,483	\$ 18,352,284	\$ 20,545,127	\$ 7,517,640
Liabilities				
Accounts payable	\$ 64,817	\$ 1,649,992	\$ 1,692,685	\$ 22,124
Accrued liabilities	621,000	-	-	621,000
Due to City of Hawthorne	2,532,284	-	2,532,284	-
Deposits payable	2,212,904	8,687,522	8,169,281	2,731,145
Due to bondholders	4,279,478	5,252,860	5,388,967	4,143,371
Total Liabilities	\$ 9,710,483	\$ 15,590,374	\$ 17,783,217	\$ 7,517,640

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STATISTICAL SECTION

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	151
<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	161
<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	166
<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	173
<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	176
<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			
	2009	2010	2011	2012
Governmental Activities:				
Net investment in capital assets	\$ 36,455,524	\$ 41,657,641	\$ 46,716,073	\$ 49,953,731
Restricted for:				
Community Services	3,223,283.00	3,323,796.00	15,074,542.00	13,337,436.00
Public Safety	1,352,447	724,352	129,753	197,710
Public Works	-	-	-	-
Capital Projects	5,069,136	5,955,329	8,456,744	2,608,932
Debt Service	5,872,890	4,713,060	1,273,778	550,756
Unrestricted	1,585,619	(11,361,593)	(23,069,320)	48,281,467
Total governmental activities net position	<u>\$ 53,558,899</u>	<u>\$ 45,012,585</u>	<u>\$ 48,581,570</u>	<u>\$ 114,930,032</u>
Business-type activities:				
Net investment in capital assets	\$ 9,495,342	\$ 11,476,850	\$ 11,100,190	\$ 10,727,192
Unrestricted	508,716	(1,598,865)	(1,643,921)	(645,594)
Total business-type activities net position	<u>\$ 10,004,058</u>	<u>\$ 9,877,985</u>	<u>\$ 9,456,269</u>	<u>\$ 10,081,598</u>
Primary Government:				
Net investment in capital assets	\$ 45,950,866	\$ 53,134,491	\$ 57,816,263	\$ 60,680,923
Restricted for:				
Community Services	3,223,283	3,323,796	15,074,542	13,337,436
Public Safety	1,352,447	724,352	129,753	197,710
Public Works	-	-	-	-
Capital Projects	5,069,136	5,955,329	8,456,744	2,608,932
Debt Service	5,872,890	4,713,060	1,273,778	550,756
Unrestricted	2,094,335	(12,960,458)	(24,713,241)	47,635,873
Total primary government net position	<u>\$ 63,562,957</u>	<u>\$ 54,890,570</u>	<u>\$ 58,037,839</u>	<u>\$ 125,011,630</u>

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 47,629,536	\$ 88,248,555	\$ 98,764,480	\$ 98,816,219	\$ 104,119,442	\$ 105,088,517
23,633,197	24,107,637	6,983,229	3,211,422	4,086,416	6,772,717
238,528	154,050	205,942	293,845	1,400,432	539,905
-	-	-	5,821,832	6,174,648	4,974,337
2,633,641	3,459,998	4,028,388	4,428,834	4,243,801	1,785,449
1,765,455	1,746,659	1,751,788	1,989,372	1,776,572	6,417,462
37,773,141	2,718,192	(100,463,431)	(104,694,912)	(114,897,815)	(199,077,160)
<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>	<u>\$ (73,498,773)</u>
\$ 10,495,271	\$ 10,883,092	\$ 10,761,597	\$ 10,443,914	\$ 10,034,549	\$ 9,657,296
334,901	1,060,109	(446,027)	770,871	1,479,009	863,905
<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>	<u>\$ 10,521,201</u>
\$ 58,124,807	\$ 99,131,647	\$ 109,526,077	\$ 109,260,133	\$ 114,153,991	\$ 114,745,813
23,633,197	24,107,637	6,983,229	3,211,422	4,086,416	6,772,717
238,528	154,050	205,942	293,845	1,400,432	539,905
-	-	-	5,821,832	6,174,648	4,974,337
2,633,641	3,459,998	4,028,388	4,428,834	4,243,801	1,785,449
1,765,455	1,746,659	1,751,788	1,989,372	1,776,572	6,417,462
38,108,042	3,778,301	(100,909,458)	(103,924,041)	(113,418,806)	(198,213,255)
<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>	<u>\$ (62,977,572)</u>

City of Hawthorne

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

	Fiscal Year			
	2009	2010	2011	2012
Expenses:				
Governmental Activities:				
General government	\$ 18,362,846	\$ 17,791,458	\$ 13,528,644	\$ 6,382,008
Public safety	38,937,085	37,004,973	38,762,602	39,196,784
Community development	32,453,794	117,997,385	102,613,415	31,862,859
Parks and recreation	1,544,197	1,741,604	1,621,402	1,714,451
Public works	12,188,251	12,126,842	13,128,404	12,085,246
Interest on long-term debt	6,637,239	6,348,733	6,355,253	5,886,728
Total governmental activities expenses	<u>110,123,412</u>	<u>193,010,995</u>	<u>176,009,720</u>	<u>97,128,076</u>
Business-type activities:				
Airport	995,652	928,693	887,718	1,013,603
Sewer and storm drain	991,326.00	950,602.00	805,277.00	805,749.00
Total business-type activities expenses	<u>1,986,978</u>	<u>1,879,295</u>	<u>1,692,995</u>	<u>1,819,352</u>
Total primary government expenses	<u>112,110,390</u>	<u>194,890,290</u>	<u>177,702,715</u>	<u>98,947,428</u>
Program Revenues:				
Governmental Activities:				
General government	7,558,894	6,511,547	7,641,310	9,450,117
Public safety	6,110,770	5,489,825	4,840,868	4,715,985
Community development	31,206,065	93,457,240	100,419,432	38,342,370
Parks and recreation	991,727	698,277	693,891	772,912
Public works	4,054,024	8,990,453	11,167,336	9,908,895
Total governmental activities program revenues	<u>49,921,480</u>	<u>115,147,342</u>	<u>124,762,837</u>	<u>63,190,279</u>
Business-type activities:				
Airport	1,284,318	238,734	585,975	875,314
Sewer and storm drain	1,155,677	1,100,512	1,246,078	1,569,367
Storm Water	-	-	-	-
Total business-type activities program revenues	<u>2,439,995</u>	<u>1,339,246</u>	<u>1,832,053</u>	<u>2,444,681</u>
Total primary government program revenues	<u>52,361,475</u>	<u>116,486,588</u>	<u>126,594,890</u>	<u>65,634,960</u>
Net (expenses) revenues:				
Governmental activities	(60,201,932)	(77,863,653)	(51,246,883)	(33,937,797)
Business-type activities	<u>453,017</u>	<u>(540,049)</u>	<u>139,058</u>	<u>625,329</u>
Total primary government net (expenses)/revenues	<u>\$ (59,748,915)</u>	<u>\$ (78,403,702)</u>	<u>\$ (51,107,825)</u>	<u>\$ (33,312,468)</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					
2013	2014	2015	2016	2017	2018
\$ 7,750,941	\$ 7,768,606	\$ 9,677,945	\$ 9,959,013	\$ 11,094,220	\$ 14,701,855
41,129,544	43,840,245	48,115,574	47,961,278	54,633,003	54,381,340
20,364,753	14,003,502	15,380,435	11,948,791	12,849,025	15,498,320
1,687,789	2,019,805	2,097,720	3,539,851	3,827,432	4,521,785
13,134,894	14,077,746	14,921,503	10,020,953	12,051,189	10,335,197
2,297,756	2,189,013	2,084,801	2,862,959	918,037	1,348,742
<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>	<u>100,787,239</u>
981,673	901,405	949,809	931,989	1,131,440	1,230,891
881,843.00	1,126,983.00	1,581,953	838,433	933,015	2,342,547
<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>3,573,438</u>
88,229,193	85,927,305	94,809,740	88,063,267	97,437,361	104,360,677
7,388,347	10,358,083	9,966,590	11,770,484	11,224,984	11,003,976
5,273,480	6,310,867	5,595,120	9,250,179	5,460,890	5,673,185
17,592,931	19,140,595	21,395,006	7,923,370	12,460,275	13,194,352
787,003	801,753	785,977	663,082	642,713	709,246
8,115,365	6,982,951	7,104,305	4,682,406	9,318,132	6,181,485
<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>	<u>36,762,244</u>
977,941	1,456,803	919,129	860,162	908,988	1,009,726
1,634,149	1,684,614	1,648,704	1,459,572	1,448,366	1,529,185
-	-	-	-	-	29,975
<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>2,568,886</u>
41,769,216	46,735,666	47,414,831	36,609,255	41,464,348	39,331,130
(47,208,551)	(40,304,668)	(47,430,980)	(52,003,324)	(56,265,912)	(64,024,995)
748,574	1,113,029	36,071	549,312	292,899	(1,004,552)
<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>	<u>\$ (65,029,547)</u>

City of Hawthorne

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

	Fiscal Year			
	2009	2010	2011	2012
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 25,721,569	\$ 24,583,033	\$ 25,832,453	\$ 14,499,970
Sales taxes	10,295,502	10,187,490	10,983,038	11,907,391
Transient occupancy taxes	1,937,184	1,916,962	2,017,281	2,393,034
Franchise taxes	2,048,950	1,881,614	1,805,767	1,705,681
Business License taxes	4,372,513	4,107,323	4,878,608	5,072,563
Utility users tax	7,081,679	6,714,303	6,996,505	6,689,440
Other taxes	257,931	223,331	356,411	137,620
Miscellaneous revenue	305,881	264,107.00	406,935	90,807
Use of money and property	1,383,145	662,160	978,096	1,299,405
Other	4,214,096	3,102,494	-	-
Transfers			560,774	-
Total governmental activities	<u>57,618,450</u>	<u>53,642,817</u>	<u>54,815,868</u>	<u>43,795,911</u>
Business-type activities:				
Use of money and property	413,976	413,976	-	-
Miscellaneous	-	-	-	-
Transfers	-	-	(560,774)	-
Total business-type activities	<u>413,976</u>	<u>413,976</u>	<u>(560,774)</u>	<u>-</u>
Total primary government	<u>58,032,426</u>	<u>54,056,793</u>	<u>54,255,094</u>	<u>43,795,911</u>
Change in Net Position:				
Governmental activities	(2,583,482)	(24,220,836)	3,568,985	9,858,114
Business-type activities	866,993	(126,073)	(421,716)	625,329
Total primary government	<u>\$ (1,716,489)</u>	<u>\$ (24,346,909)</u>	<u>\$ 3,147,269</u>	<u>\$ 10,483,443</u>

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 15,011,710	\$ 13,767,847	\$ 15,582,864	\$ 14,693,230	\$ 17,000,228	\$ 17,212,040
12,928,878	13,103,430	14,521,823	14,721,975	16,856,609	18,498,130
2,680,392	2,765,262	3,357,279	4,806,401	5,200,111	5,412,476
1,767,044	1,801,311	1,833,145	1,809,159	1,724,565	1,765,717
4,901,207	4,962,181	4,947,687	6,419,659	5,615,982	6,314,957
6,737,474	6,954,818	6,842,540	6,667,384	6,613,873	6,726,815
249,778	21,086	115,589	-	-	-
38,244	176,333	159,031	1,060,219	1,649,614	11,507,607
25,340	13,993	9,017	69,833	40,189	100,699
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>67,538,441</u>
-	-	-	-	-	-
-	-	-	23,963	5,874	12,195
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>23,963</u>	<u>5,874</u>	<u>12,195</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>	<u>67,550,636</u>
(2,868,484)	3,261,593	(62,005)	(1,755,464)	(1,564,741)	3,513,446
748,574	1,113,029	36,071	573,275	298,773	(992,357)
<u>\$ (2,119,910)</u>	<u>\$ 4,374,622</u>	<u>\$ (25,934)</u>	<u>\$ (1,182,189)</u>	<u>\$ (1,265,968)</u>	<u>\$ 2,521,089</u>

City of Hawthorne

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund:				
Pre-GASB 54:				
Reserved for:				
encumbrances	\$ 333,976	\$ 101,884		
prepaid costs				
advances to other funds	20,124,856	20,124,856		
inventory	42,771	56,912		
Unreserved, undesignated	10,885,287	8,604,795		
GASB 54:				
Nonspendable			\$ 18,406,931	\$ 53,364
Unassigned			16,077,846	14,100,610
Total General Fund	<u>31,386,890</u>	<u>28,888,447</u>	<u>34,484,777</u>	<u>14,153,974</u>
All Other Governmental Funds:				
Pre-GASB 54:				
Reserved for:				
encumbrances	28,549	49,903		
prepaid costs	845,868	844,205		
advances to other funds				
land held for resale				
compensated absences	752,203	1,052,374		
capital projects	120,000	120,000		
Unreserved, reported in:				
Special revenue funds	2,817,765	942,806		
Capital projects funds	2,896,091	2,893,989		
Debt service funds	1,381,015.00	5,749,340.00		
Unreserved, designated for debt service	5,782,543.00			
Unreserved, undesignated	(70,825,891)	(56,671,929)		
GASB 54:				
Nonspendable			832,337	857,563
Restricted			8,697,995	9,223,388
Unassigned			(49,562,934)	71,528.00
Total all other governmental funds	<u>(56,201,857)</u>	<u>(45,019,312)</u>	<u>(40,032,602)</u>	<u>10,152,479</u>
Total governmental funds	<u>\$ (24,814,967)</u>	<u>\$ (16,130,865)</u>	<u>\$ (5,547,825)</u>	<u>\$ 24,306,453</u>

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 72,607	\$ 21,186	\$ 4,223,582	\$ 3,217,524	\$ 53,986	\$ 49,432
<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>26,066,029</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>	<u>26,115,461</u>
12,414,769	13,462,455	15,071,577	335,181	-	-
<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>(911,566)</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>20,279,607</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>	<u>\$ 46,395,068</u>

City of Hawthorne

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues:				
Taxes and special assessments	\$ 52,029,087	\$ 49,735,112	\$ 57,525,351	\$ 47,939,202
Licenses and permits	1,480,874	1,486,245	1,661,731	1,275,321
Intergovernmental	36,192,119	125,853,156	109,233,611	39,277,118
Charges for services	5,551,255	4,967,767	1,790,548	1,979,901
Fines and forfeitures	809,024	1,305,900	3,024,286	2,439,989
Use of money and property	3,185,374	2,861,172	5,041,498	1,308,719
Contributions	2,640,124	2,517,450	2,349,180	1,079,694
Miscellaneous	4,828,862	3,632,048	5,804,630	6,920,074
Total Revenues	106,716,719	192,358,850	186,430,835	102,220,018
Expenditures:				
Current:				
General government (2)	15,627,001	16,205,008	11,685,164	5,622,032
Public safety	36,800,346	36,958,393	36,594,120	36,924,710
Community development (2)	32,502,214	118,195,497	102,036,018	31,045,909
Parks and recreation	1,867,503	1,649,491	1,412,709	1,496,645
Public works	10,019,421	9,981,519	12,199,278	10,556,123
Capital outlay	4,573,481	7,339,197	5,590,203	4,830,417
Debt service:				
Principal retirement	3,602,165	3,585,337	8,611,765	2,693,243
Interest and fiscal charges	6,615,917	6,298,503	5,771,747	5,591,640
Cost of issuance				
Total expenditures	111,608,048	200,212,945	183,901,004	98,760,719
Excess/(deficiency) of Revenues Over Expenditures	(4,891,329)	(7,854,095)	2,529,831	3,459,299
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	1,215,500	1,125,000	1,125,000	
Bond proceeds			6,367,436	
Capital Lease proceeds				73,464
Transfers in	6,878,687	8,723,679	12,767,509	7,230,946
Transfers out	(6,278,687)	(8,723,679)	(12,206,736)	(7,230,946)
Total other financing sources (uses)	1,815,500	1,125,000	8,053,209	73,464
Net Change in Fund Balances	\$ (3,075,829)	\$ (6,729,095)	\$ 10,583,040	\$ 3,532,763
Debt service as a percentage of noncapital expenditures	11.79%	5.60%	9.11%	10.19%

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					
2013	2014	2015	2016	2017	2018
\$ 49,001,010	\$ 48,842,096	\$ 52,613,639	\$ 54,107,964	\$ 58,115,240	\$ 63,954,559
2,696,368	2,988,845	3,890,427	2,291,930	2,535,471	3,384,070
23,735,974	18,331,224	26,682,989	16,469,698	22,245,586	21,283,289
1,981,251	2,241,294	2,170,626	2,500,544	2,412,936	2,325,798
2,978,968	3,424,944	3,527,228	3,934,011	5,850,331	3,101,340
447,973	373,828	446,438	471,056	530,465	580,685
1,810,060	301,155	365,361	188,206	873,620	888,145
3,777,822	6,605,953	6,793,843	5,279,485	5,392,496	12,435,535
86,429,426	83,109,339	96,490,551	85,242,894	97,956,145	107,953,421
5,780,090	6,187,963	7,299,439	9,517,701	9,388,771	10,130,387
39,296,404	41,134,364	42,841,325	43,038,523	46,173,983	49,374,104
19,665,363	13,209,207	14,241,571	12,590,103	12,747,063	11,786,057
1,506,952	1,801,650	1,703,966	3467866	3,654,856	14,603,141
10,275,219	11,336,465	11,755,008	8,202,451	13,565,765	3,743,089
924,301	2,418,275	13,571,753	2,438,251	3,164,810	2,183,616
3,372,594	3,501,557	3,741,924	4,010,186	5,473,428	2,365,154
2,454,056	2,289,278	2,224,946	2,658,786	980,189	1,207,292
			941,625	108,692	-
83,274,979	81,878,759	97,379,932	86,865,492	95,257,557	95,392,840
3,154,447	1,230,580	(889,381)	(1,622,598)	2,698,588	12,560,581
			31,803,741	2,730,900	
			(29,910,984)		
3,927,563	3,995,825	4,034,710	5,894,967	550,651	2,804,428
(3,927,563)	(3,995,825)	(4,730,250)	(5,894,967)	2,759,313	(2,804,428)
-	-	(695,540)	1,892,757	(2,759,313)	-
				3,281,551	
\$ 3,154,447	\$ 1,230,580	\$ (1,584,921)	\$ 270,159	\$ 5,980,139	\$ 12,560,581
7.97%	7.97%	6.25%	7.89%	7.34%	3.91%

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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)
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
2018	7,149,882,995	639,095,098	(62,805,701)	7,726,172,392	0.09127

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 2017/18 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			
	2009	2010	2011	2012
City basic rate	0.09484	0.09484	0.09484	0.09484
Redevelopment agency	1.00430	1.00430	1.00370	1.00370
Overlapping Rates				
Centinela Valley Union Hs District	0.02278	0.02918	0.03161	0.04985
County Detention Facilities 1987 Debt	0.00000	0.00000	0.00000	0.00000
El Camino Community College	0.01703	0.01487	0.01614	0.01688
Hawthorne School District	0.07390	0.07406	0.09394	0.09252
Inglewood Unified School Dist	0.07371	0.11300	0.11452	0.11278
La Community College District	0.02212	0.02311	0.04031	0.03530
La County Flood Control	0.00000	0.00000	0.00000	0.00000
Lawndale Elementary School Dist	0.04815	0.04760	0.05429	0.04363
Lennox School District	0.06008	0.06495	0.06281	0.06682
Los Angeles Unified School District	0.12478	0.15181	0.18695	0.16819
Metropolitan Water District	0.00430	0.00430	0.00370	0.00370
Wiseburn School District	0.03818	0.06352	0.06358	0.09994
Wiseburn-Centinela Unified	0.00000	0.00000	0.00000	0.00000
 Total Direct Rate	 0.24755	 0.24462	 0.25442	 0.24601

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 2008/09-2017/2018 Tax Rate Table

(continued)

Fiscal Year					
2013	2014	2015	2016	2017	2018
0.09484	0.09484	0.09484	0.09484	0.09484	0.09484
-	-	-	-	-	-
0.05906	0.04369	0.08365	0.06484	0.07865	0.05915
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.01849	0.01750	0.01742	0.01745	0.02294	0.02120
0.11286	0.10797	0.10620	0.10176	0.09553	0.08818
0.12139	0.15614	0.14992	0.12761	0.11351	0.11675
0.04875	0.04454	0.04017	0.03575	0.03596	0.04599
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.04919	0.04651	0.04334	0.04207	0.04064	0.06143
0.08064	0.08118	0.08464	0.08456	0.09078	0.16337
0.17561	0.14644	0.14688	0.12971	0.13110	0.12219
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.09129	0.11672	0.13062	0.13341	0.10166	0.11222
0.00000	0.00000	0.08365	0.07997	0.08727	0.07147
0.24470	0.09106	0.09115	0.09137	0.09174	0.09127

City of Hawthorne

Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	2018			2009		
	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	\$ 346,138,149	1	4.48 %	\$ -	-	- %
DCII-2301 WEST 120TH STREET LLC	79,500,000	2	1.03	-	-	-
DCT CARGO LLC	70,835,067	3	0.92	-	-	-
COSTCO WHOLESALE CORPORATION	57,780,236	4	0.75	45,430,620	4	0.79
BASP ZELMAN HAWTHORNE LLC	57,732,000	5	0.75	-	-	-
RT ROCKET ROAD LLC	48,308,639	6	0.63	-	-	-
M AND A GABAE	47,647,392	7	0.62	42,099,844	5	0.74
CITY OF HAWTHORNE	45,390,000	8	0.59	-	-	-
2 LA CIENEGA INC	41,814,993	9	0.54	-	-	-
OCEANGATE PROPERTY LLC	41,675,770	10	0.54	36,823,434	8	0.64
HEARTHSTONE MULTI ASSET ENTITY	-	-	-	176,765,888	1	3.09
NORTHROP GRUMMAN SYSTEMS CORPORATION	-	-	-	58,349,067	2	1.02
RS HAWTHORNE LLC	-	-	-	47,630,786	3	0.83
MP CARGO LAX I LLC	-	-	-	42,019,198	6	0.73
VOUGHT AIRCRAFT INDUSTRIES INC	-	-	-	38,544,561	7	0.67
MS KEARNEY NORTHROP AVENUE LLC	-	-	-	32,380,368	9	0.57
LA CARANDA LP	-	-	-	31,898,702	10	0.56
Total	<u>\$ 836,822,246</u>		<u>10.85 %</u>	<u>\$ 551,942,468</u>		<u>9.64 %</u>

Note:

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

Source: HdL Coren & Core, Los Angeles County Assessor 2017/2018 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
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
2018	7,600,938	6,731,784	88.57	350,002	7,081,786	93.17

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			
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
2018	29,211,468	3,178,249	2,419,000	378,119	2,493,585	37,680,421	0.020	424

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 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>
2009	\$ -	\$ 3,735,000	\$ 3,735,000	0.065	42
2010	-	3,630,000	3,630,000	0.063	40
2011	-	9,747,391	9,747,391	0.173	108
2012	-	9,632,391	9,632,391	0.168	113
2013	-	9,057,452	9,057,452	0.155	106
2014	-	8,454,052	8,454,052	0.141	98
2015	-	7,828,114	7,828,114	0.126	90
2016	31,684,772	7,174,930	38,859,702	0.590	442
2017	30,032,646	4,353,127	34,385,773	0.473	392
2018	29,211,468	3,178,249	32,389,717	0.419	365

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			
	2009	2010	2011	2012
Total assessed valuation	\$ 5,723,998,500	\$ 5,762,385,657	\$ 5,636,931,461	\$ 5,731,138,643
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,430,999,625	1,440,596,414	1,409,232,865	1,432,784,661
Debt limit percentage	15%	15%	15%	15%
Debt limit	214,649,944	216,089,462	211,384,930	214,917,699
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 214,649,944</u>	<u>\$ 216,089,462</u>	<u>\$ 211,384,930</u>	<u>\$ 214,917,699</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					
2013	2014	2015	2016	2017	2018
\$ 5,830,998,139	\$ 6,001,205,947	\$ 6,208,234,269	\$ 6,583,853,815	\$ 7,276,798,609	\$ 7,726,172,392
25%	25%	25%	25%	25%	25%
1,457,749,535	1,500,301,487	1,552,058,567	1,645,963,454	1,819,199,652	1,931,543,098
15%	15%	15%	15%	15%	15%
218,662,430	225,045,223	232,808,785	246,894,518	272,879,948	289,731,465
-	-	-	-	-	-
<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>	<u>\$ 289,731,465</u>
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

City of Hawthorne

Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Revenue Bonds (1)				
	Revenue	Debt Service (2)		Coverage	
		Principal	Interest		
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	
2018	976,241	730,152	187,849	1.06	

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, 2018

	Percentage Applicable	Gross Bonded Debt Balance	Estimated Share of Overlapping
Direct Debt			
2011 SERIES A REVENUE BONDS	100.000%	\$ 3,178,249	\$ 3,178,249
2016 CERTIFICATE OF PARTICIPATION SERIES A	100.000%	15,043,966	15,043,966
2016 CERTIFICATE OF PARTICIPATION SERIES B	100.000%	14,167,502	14,167,502
2016 DIRECT PLACEMENT LEASE FINANCING	100.000%	2,419,000	2,419,000
Total Direct Debt			34,808,717
Overlapping Debt			
*METROPOLITAN WATER DISTRICT	0.523%	29,354,442	153,524
HAWTHORNE SD DS 1997 SERIES B	96.939%	1,537,101	1,490,050
HAWTHORNE SD DS 1997 SERIES C	96.939%	2,261,661	2,192,432
HAWTHORNE SD DS 1997 SERIES 2004 D	96.939%	151,303	146,672
HAWTHORNE SD DS 2004 2005 SERIES A	96.939%	575,579	557,961
HAWTHORNE SD DS 2004 SERIES 2005B	96.939%	2,827,278	2,740,735
HAWTHORNE SD DS 2004, SERIES C 2008	96.939%	8,106,599	7,858,456
HAWTHORNE SD DS 2008,2009 SERIES A	96.939%	5,765,559	5,589,075
HAWTHORNE SD DS 2008 2012 SERIES B	96.939%	11,566,770	11,212,711
HAWTHORNE SD DS REF BONDS 2004 2015 SERIES A	96.939%	5,370,000	5,205,624
HAWTHORNE SD DS REF BONDS 97, 2015 SERIES B	96.939%	3,270,000	3,169,905
LAWNDALE ELEMENTARY SD DS 1998 SERIES C	19.927%	3,000,000	597,810
LAWNDALE ELEMENTARY SD DS 2010 REF BOND	19.927%	8,765,000	1,746,602
LAWNDALE ELEMENTARY SD DS 2016 SERIES A 2017	19.927%	10,000,000	1,992,700
LAWNDALE ELEMENTARY SD DS 2017 REF BOND	19.927%	36,666	7,306
LENNOX SD DS 1998 SERIES A	8.156%	1,147,428	93,584
LENNOX SD DS 1998 SERIES 2002B	8.156%	1,165,437	95,053
LENNOX SD DS 2007, SERIES 2007	8.156%	836,056	68,189
LENNOX SD DS 1998 SERIES 2012A QSCB	8.156%	2,850,000	232,446
LENNOX SD DS 2007 SERIES 2016	8.156%	1,199,989	97,871
LENNOX SD DS 2016 REF BONDS	8.156%	3,358,746	273,939
LENNOX SD DS 2016 SERIES 2017	8.156%	24,995,346	2,038,620
CENTINELA VALLEY UNION HSD 2002 REF BOND S-A	56.878%	11,765,000	6,691,697
CENTINELA VALLEY UNION HSD 2004 REF BOND S-A	56.878%	25,980,000	14,776,904
CENTINELA VALLEY UNION HSD 2008 SERIES A	56.878%	19,632,897	11,166,799
CENTINELA VALLEY UNION HSD 2010, 12 SERIES B	56.878%	6,416,326	3,649,478
CENTINELA VALLEY UNION HSD 2008 2013 SERIES B	56.878%	5,650,000	3,213,607
WISEBURN-CENTINELA UHSD DS 2008 2014 SERIES C	56.878%	55,000,000	31,282,900
CENTINELA VALLEY UNION HSD 2008, 2014 SERIES D	56.878%	24,530,000	13,952,173
CENTINELA VALLEY UNION HSD 2016 REF BOND	56.878%	26,790,000	15,237,616
CENTINELA VALLEY UNION HSD 2016 REF BOND C	56.878%	138,575,000	78,818,689
EL CAMINO CCD DS 2002 SERIES 2012C	6.705%	179,006,523	12,002,387
EL CAMINO CCD DS 2012 REF BONDS	6.705%	36,320,000	2,435,256
EL CAMINO CCD DS 2012 SERIES 2016 A	6.705%	95,500,000	6,403,275
EL CAMINO CCD DS 2016 REF BONDS	6.705%	75,585,000	5,067,974
LA CCD DS 2003 TAXABLE SERIES 2004B	0.089%	2,115,000	1,882
LA CCD DS 2001 TAXABLE SERIES 2004A	0.089%	31,555,000	28,084
LA CCD DS 2001, 2008 SER E-1	0.089%	7,580,000	6,746
LA CCD DS 2003, 2008 SER F-1	0.089%	7,575,000	6,742
LA CCD DS 2008, 2009 TAXABLE SER B	0.089%	75,000,000	66,750
LA CCD DS 2008, 2010 TAX SERIES D	0.089%	125,000,000	111,250
LA CCD DS 2008, 2010 TAX SER E (BABS)	0.089%	900,000,000	801,000
LA CCD DS 2008 2012 SERIES F	0.089%	205,000,000	182,450
LA CCD DS 2013 REF BONDS	0.089%	42,305,000	37,651
LA CCD DS 2008 SERIES G	0.089%	1,664,870,000	1,481,734

Notes:

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

Source: HdL Coren & Core, Los Angeles County Assessor 2017/2018 Combined Tax Rolls

City of Hawthorne

Direct and Overlapping Debt, (continued) As of June 30, 2018

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Percentage	Gross Bonded Debt	Estimated
Overlapping Debt (Continued)	Applicable	Balance	Share of Overlapping
LA CCD DS 2015 REF SERIES A	0.089%	33,270,000	29,610
LA CCD DS 2015 REF SERIES B	0.089%	272,085,000	242,156
LA CCD DS 2015 REF SERIES C	0.089%	223,910,000	199,280
LA CCD DS 2008 SERIES I	0.089%	175,565,000	156,253
LA CCD DS 2016 REF BONDS	0.089%	300,000,000	267,000
LA CCD DS 2016, 2017 SER A	0.089%	100,000,000	89,000
INGLEWOOD USD DS 2007 REF BONDS	0.051%	37,355,000	19,051
INGLEWOOD USD DS 2012 SERIES A	0.051%	26,100,000	13,311
INGLEWOOD USD DS 2016 REF BONDS	0.051%	38,560,000	19,666
LOS ANGELES USD DS 2004 SERIES A	0.110%	125,535,000	138,089
LOS ANGELES UNIF DS 2005 REF BONDS A-1	0.110%	38,035,000	41,839
LOS ANGELES UNIF DS 2005 REF BONDS A-2	0.110%	14,790,000	16,269
LOS ANGELES UNIF DS 2002 SERIES E	0.110%	200,000,000	220,000
LOS ANGELES UNIF DS 2004 SERIES J	0.110%	739,280,000	813,208
LOS ANGELES UNIF DS 2005 SERIES H	0.110%	609,075,000	669,983
LAUSD MEASURE R SERIES 2009	0.110%	47,425,000	52,168
LAUSD MEASURE R SERIES KRY BABS	0.110%	363,005,000	399,306
LAUSD MEASURE Y 2009 SERIES KRY BABS	0.110%	806,795,000	887,475
LAUSD MEASURE K 2010 SERIES KRY	0.110%	145,250,000	159,775
LAUSD MEASURE R 2010 SERIES KRY	0.110%	157,165,000	172,882
LAUSD MEASURE Y 2010 SERIES KRY	0.110%	130,450,000	143,495
LAUSD MEASURE R 2010 SERIES RY BABS	0.110%	477,630,000	525,393
LAUSD MEASURE Y 2010 SERIES RY BABS	0.110%	772,955,000	850,251
LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A 1	0.110%	127,870,000	140,657
LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A 2	0.110%	143,980,000	158,378
LOS ANGELES UNIF DS 2014 REF BOND SERIES A	0.110%	109,940,000	120,934
LOS ANGELES UNIF DS 2014 REF BOND SERIES B	0.110%	283,135,000	311,449
LOS ANGELES UNIF DS 2014 REF BOND SERIES C	0.110%	909,360,000	1,000,296
LOS ANGELES UNIF DS 2014 REF BOND SERIES D	0.110%	153,385,000	168,724
LOS ANGELES UNIF DS 2005 SERIES K	0.110%	8,035,000	8,839
LOS ANGELES UNIF DS 2015 REF BONDS SERIES A	0.110%	318,085,000	349,894
LOS ANGELES UNIF DS 2008 SERIES A 2016	0.110%	1,162,115,000	1,278,327
LOS ANGELES UNIF DS 2016 REF BONDS SERIES A	0.110%	500,855,000	550,941
LOS ANGELES UNIF DS 2016 REF BONDS SERIES B	0.110%	1,057,635,000	1,163,399
LOS ANGELES UNIF DS 2017 REF BONDS SER A PROP BB	0.110%	1,202,445,000	1,322,690
WISEBURN USD DS 1997 SERIES 1999A	15.986%	1,977,799	316,171
WISEBURN USD DS 2000 SERIES 2001	15.986%	5,417,160	865,987
WISEBURN USD DS 2007 2008 SERIES A	15.986%	21,117,400	3,375,828
WISEBURN USD DS 2010 2012 SERIES C	15.986%	47,978,286	7,669,809
WISEBURN USD DS 2010 2013 SERIES D	15.986%	4,990,000	797,701
WISEBURN USD DS REF BONDS 2015 SERIES A	15.986%	5,410,000	864,843
WISEBURN USD DS REF BONDS 2015 SERIES B	0.15986	9,560,000	1,528,262
WISEBURN USD DS REF BONDS 2016 SERIES A	0.15986	36,415,000	5,821,302
		\$ 15,833,832,351	288,924,193

Total Direct and Overlapping Debt

\$ 323,732,910

2017/18 Assessed Valuation: \$5,963,119,197 After Deducting \$1,718,721,224 Incremental Value.

Debt To Assessed Valuation Ratios:	Direct Debt	0.59%
	Overlapping Debt	4.86%
	Total Debt	5.45%

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>
2008	6.08	89,354		\$ 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%
2017	6.08	88,772	1.27%	1,841,485	20,744	5.2%

Sources:
HdL Coren & Cone

City of Hawthorne

Principal Employers Current Year and Nine Years Ago

Employer	2018			2009		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Space Exploration Technologies (1)	5352	1	11.74%			0.00%
Hawthorne School District	709	2	1.55%			0.00%
City of Hawthorne	367	3	0.80%			
Teledyne Relays	343	4	0.75%			0.00%
Triump Aerostructures (formerly Vought aircraft)	326	5	0.71%			0.00%
OSI Systems Inc	307	6	0.67%			
Home Depot	271	7	0.59%			
Wiseburn Unified School District(2)	255	8	0.56%			0.00%
Lithographix Inc	254	9	0.56%			
Expeditors	250	10	0.55%			0.00%
						0.00%
						0.00%
						0.00%
						0.00%
Total	8,434		18.48%	0		0.00%
Total City Employment (3)	45,600					

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>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>	<u>2018</u>
General government	135	134	137	130	132	139	132	120	130	129
Public safety	129	109	101	103	106	109	108	112	100	99
Public works, streets maint	37	44	46	47	42	43	46	47	48	45
Comm dev-planning, building, housing	23	27	27	27	27	34	32	28	26	27
Recreation & Comm-serv, parks	<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>	<u>92</u>
Total	<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>	<u>392</u>

Source: City Finance Department.

City of Hawthorne

Operating Indicators by Function (1) Last Ten Years

<u>Function/Program</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Government:				
Number of business licenses issued	5,269	5,314	5,547	4,719
Number of requests for public information	33	62	80	54
Number of new hires including part-time	104	39	37	42
Number of invoices processed	15,199	15,251	13,580	12,911
Public Safety:				
Police:				
Number of emergency calls	46,800	46,904	53,344	57,706
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	-	-	-	1
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	510
Approximate number of building inspections conducted			6,911	7,914
Number of new business licenses issued	534	540	615	533

Source: Various City Departments.

(continued)

<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
5,662	5,473	5,021	6,221	5,992	5,752
62	56	158	152	223	201
45	62	57	97	95	84
10,863	11,000	10,007	9,478	21,887	20,958
56,130	60,115	57,348	51,402	40,002	39,703
N/A	N/A	N/A	N/A	N/A	N/A
-	1	-	-	1	2
-	-	1	-	1	-
15,184	15,184	15,184	15,184	15,184	15,184
-	-	-	-	-	-
993	993	993	993	993	993
	811	783	867	889	847
	24,123	23,987	24,280	25,494	30,625
	80	100	80	80	30
	565	563	577	605	701
	18,750	18,750	18,750	18,750	16,841
681	673	716	712	594	775
10,143	9,893	8,845	7,020	4,000	6,200
702	611	719	839	764	669

City of Hawthorne

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety:				
Police (1)				
Number of police stations	1	1	1	1
Number of emergency vehicles	83	78	85	80
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	3,639
Culture and Recreation:				
Parks	9	9	9	10
Acres of park land	50.23	50.23	50.23	50.38
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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1 80	1 79	1 76	1 99	1 96	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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