



*City of Hawthorne,
California*

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Transmittal Letter

December 18, 2019

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, 2019. 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, 2019.

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, 2019, 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 2.1% at the end of the third quarter of 2019. Moderate steady 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 2019, the national unemployment rate was reported at 3.6% per the Bureau of Labor Statistics. The decrease in the unemployment rate is expected to continue through 2020, at 3.1%.

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. In October 2019, The Federal Reserve cut interest rates for the third time this year, reversing nearly all of 2018’s rate increases, citing that “Although the U.S. economy is strong and unemployment is low, business investments and exports have continued to be “weak” since the previous meeting for the FOMC in September.”

LOCAL ECONOMY

According to the February 2019 Economic Forecast and Industry Outlook prepared by the Los Angeles County Economic Development Corporation, “*LAEDC expects, all else being held relatively equal, the trend of aggregate Californian economic confidence should continue. These good expectations are forecast to include 3.0 percent gross state product growth in both 2019 and 2020, furthering the trend of Californian economic growth exceeding national growth. This gross state growth is forecasted to precipitate gains in real personal income by 2.9 and 2.8 percent in the coming two years, meaning the average Californian will earn over \$52,000 in real annual terms by 2020.*”

In 2018, California’s unemployment rate averaged 4.2%, the lowest since 2000. It is also expected to decline slowly over the next two years, reaching 3.4% in 2020. Job gains are estimated to occur across all sectors with the largest gains in construction, logistics, utilities, business services, education, health and tourism.

The average unemployment rate in Los Angeles County was estimated at 4.4%, down 0.2% from 4.6% a year ago, according to the latest available data by State of California Employment Development Department. It is also expected to decline slowly over the next 2 years.

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 2018-2019 fiscal year increased 6.2% 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 2018-19 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 26% and New Auto sales represent 13% of Hawthorne's sales tax revenues.

On the expense side, total General Fund expenditures increased by 4.2% in fiscal year 2018-2019 from the prior fiscal year. Total expenses for the City totaled \$70.2 million for the year ended June 30, 2019. 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 2018-2019.

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 \$500,000 per occurrence, respectively. General liability claims that exceed the self-insured retention (SIR) are covered by ICRMA up to a maximum of \$30,000,000 per incident. Worker's compensation claims that exceed the (SIR) are insured by the California Public Entity Insurance Authority up to the California statutory limits for worker's compensation. The City contracts with third party administrators who manages the majority of claims filed against the City.

Major Initiatives

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

Award and Acknowledgments

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

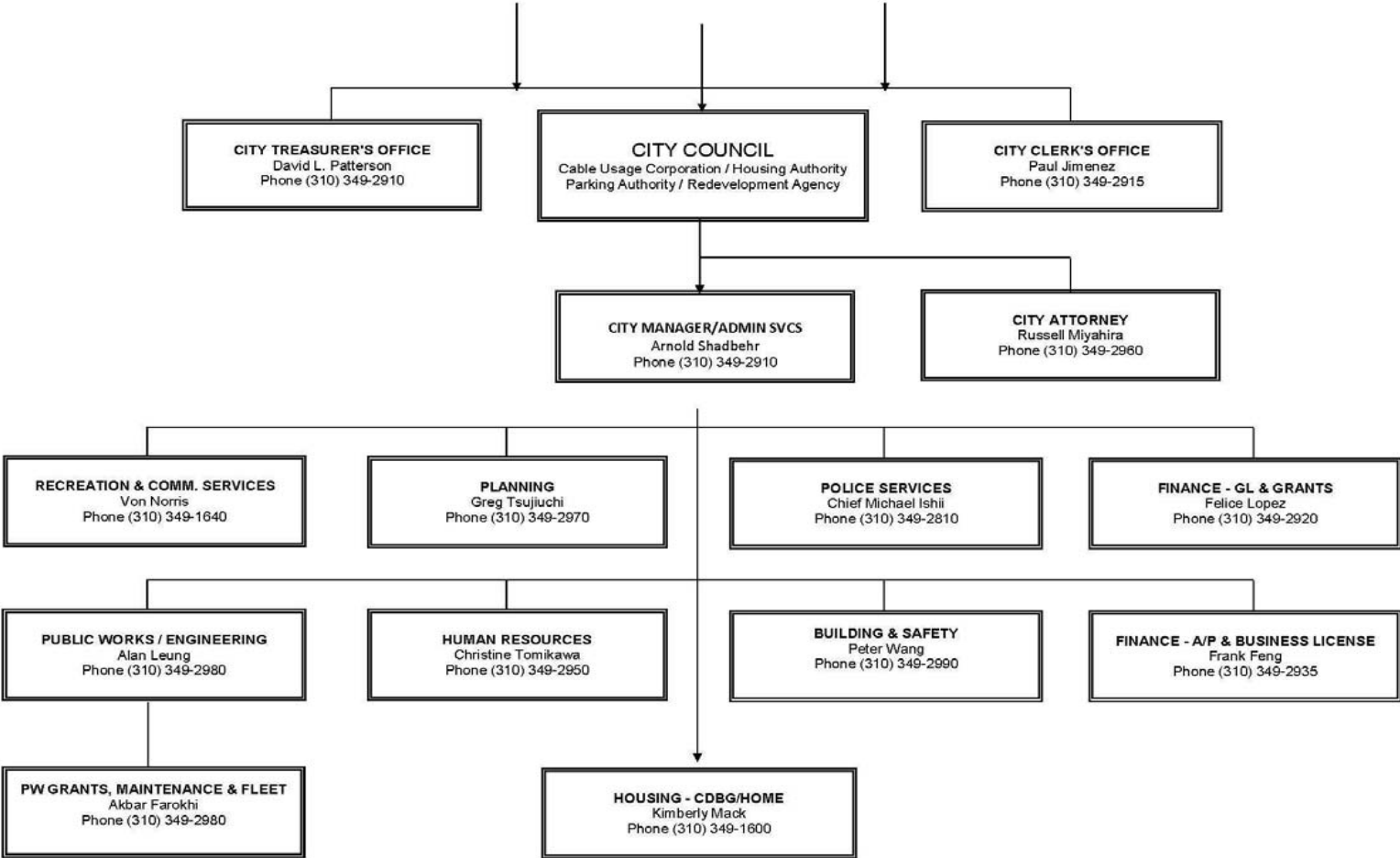
Lastly, a special thank you goes to the Mayor, City Council and City Manager for their support in maintaining the highest standards of professionalism in the management of the City of Hawthorne's finances. Through continued partnership with the community that we serve, the City of Hawthorne will continue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

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'Felice Lopez', written over a circular stamp or seal.

Felice Lopez
Finance Director

ELECTORATE



CITY OF HAWTHORNE

LIST OF PRINCIPAL OFFICIALS

City Council

Mayor
Pro Mayor Tem
Councilmember
Councilmember
Councilmember

Alex Vargas
Olivia Valentine
Haidar Awad
Alex Monteiro
Mike Talleda

Administration

City Manager
City Treasurer
City Attorney
City Clerk

Arnold Shadbeh
David Patterson
Russell Miyahira
Paul Jimenez

Department Heads

Chief of Police
Finance Director
Finance/Licensing Director
Public Works/Engineering Director
Human Resources Director
Planning Director
Building & Safety Director
Recreation and Community Services Manager
Housing & CDBG/Home Manager
Public Works Grants/Maintenance Manager

Michael Ishii
Felice Lopez
Frank Feng
Alan Leung
Christine Tomikawa
Greg Tsujiuchi
Peter Wang
Vontray (Von) Norris
Kimberly Mack
Akbar Farokhi



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, 2018

Christopher P. Morill

Executive Director/CEO

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

INDEPENDENT AUDITOR'S REPORT

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)
Kirk A. Franks, CPA (Partner Emeritus)

DIRECTORS

Jenny Liu, CPA, MST

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Jin Gu, CPA, MT
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



A Worldwide Alliance of Independent
Accounting, Law and Consulting Firms

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hawthorne, California (City), as of and for the year ended June 30, 2019, 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.

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of plan contributions – Agent Plan, schedule of the City's proportionate share of the plan's net pension liability and related ratios as of the measurement date, schedule of plan contributions – Cost Sharing Plan, schedule of changes in the OPEB liability and related ratios, schedule of OPEB contributions, and notes to the required supplementary information, 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 18, 2019 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 18, 2019

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City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2019

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, 2019. 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, 2019, the City's net deficit (assets plus deferred outflows of resources less liabilities and deferred inflows of resources) was \$(49.8) million. Of this amount, \$(195.0) million is unrestricted.
- The City of Hawthorne total net position increased from the prior fiscal year 2017-2018 by \$13,184,689 primarily due to the increase in capital contributions and grants.
- At the close of the current fiscal year, the City of Hawthorne governmental funds reported combined fund balances of \$58,491,939, an increase of \$12,096,871 in comparison with the prior year. Approximately 62.3% of this amount (\$36,441,852) 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 \$37,202,338 or approximately 53.0% of total General Fund expenditures.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

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

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2019

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.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2019

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.

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.

**Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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.

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 32-91 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 92-105 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 \$49.8 million at June 30, 2019. Approximately \$123.2 million of the City of Hawthorne's net position reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt that was used to acquire those assets. The City of Hawthorne uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Hawthorne's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2019

A portion of the City of Hawthorne's net position, \$22.0 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, \$(195.0) 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.

At the end of the 2019 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 65,243,779	\$ 53,449,625	\$ 3,546,951	\$ 2,723,381	\$ 68,790,730	\$ 56,173,006
Capital assets, net	134,230,011	126,202,470	9,269,159	9,657,296	143,499,170	135,859,766
Total assets	199,473,790	179,652,095	12,816,110	12,380,677	212,289,900	192,032,772
Deferred outflows of resources	23,691,925	31,132,716	312,105	871,556	24,004,030	32,004,272
Long-term debt	259,845,694	262,952,059	2,643,658	2,592,303	262,489,352	265,544,362
Other liabilities	5,294,573	4,582,266	142,647	97,515	5,437,220	4,679,781
Total Liabilities	265,140,267	267,534,325	2,786,305	2,689,818	267,926,572	270,224,143
Deferred inflows of resources	18,081,595	16,749,259	78,646	41,214	18,160,241	16,790,473
Net position						
Net investment in capital assets	113,929,703	105,088,517	9,269,159	9,657,296	123,198,862	114,745,813
Restricted	21,997,889	20,489,870	-	-	21,997,889	20,489,870
Unrestricted	(195,983,739)	(199,077,160)	994,105	863,905	(194,989,634)	(198,213,255)
Total net position	\$ (60,056,147)	\$ (73,498,773)	\$ 10,263,264	\$ 10,521,201	\$ (49,792,883)	\$ (62,977,572)

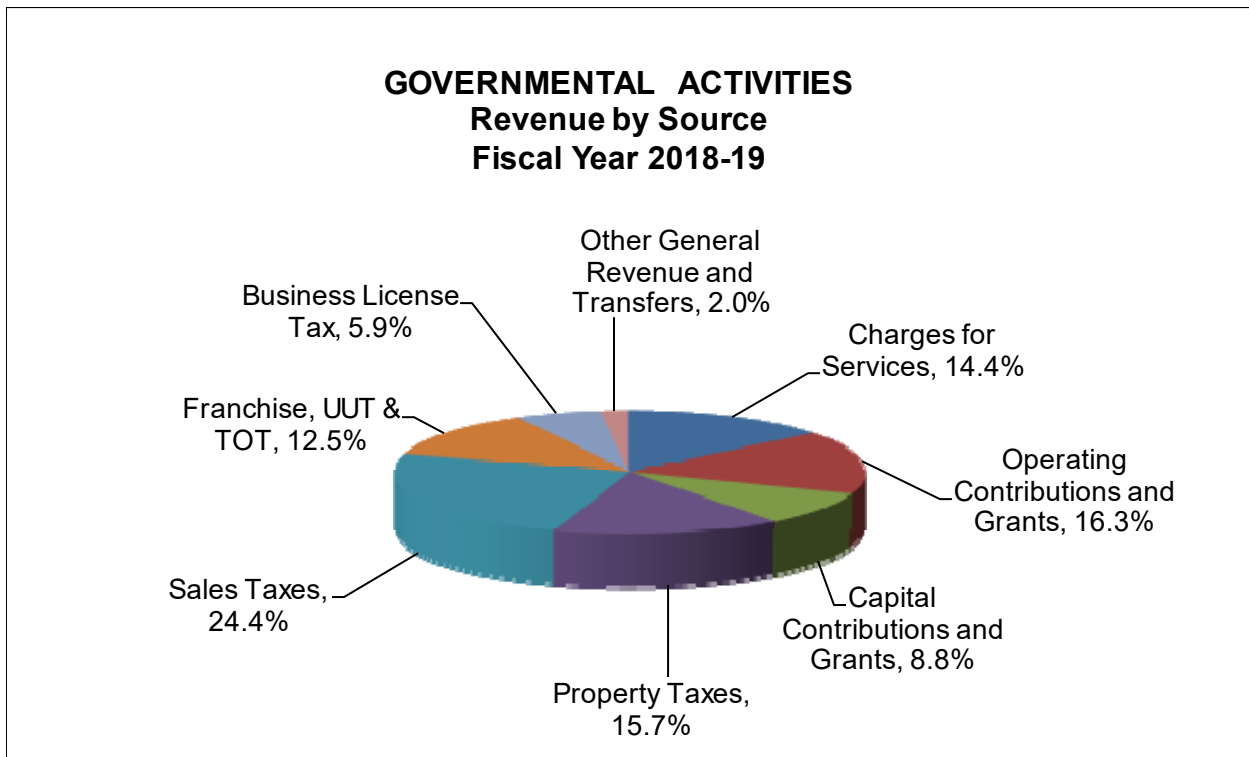
Governmental Activities. The City's net position from governmental activities totaled (\$60.1) million. The cost of all governmental activities this year was \$103.1 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$70.6 million because some of the cost was paid by those who directly benefited from the programs (\$16.7 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$29.2 million). Overall, the City's governmental program revenues were \$45.9 million. The City paid for the remaining "public benefit" portion of governmental activities with \$68.1 million in taxes (some of which could only be used for certain programs) and with \$2.5 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 \$55.0 million.

City of Hawthorne

**Management's Discussion and Analysis
For the Year Ended June 30, 2019**

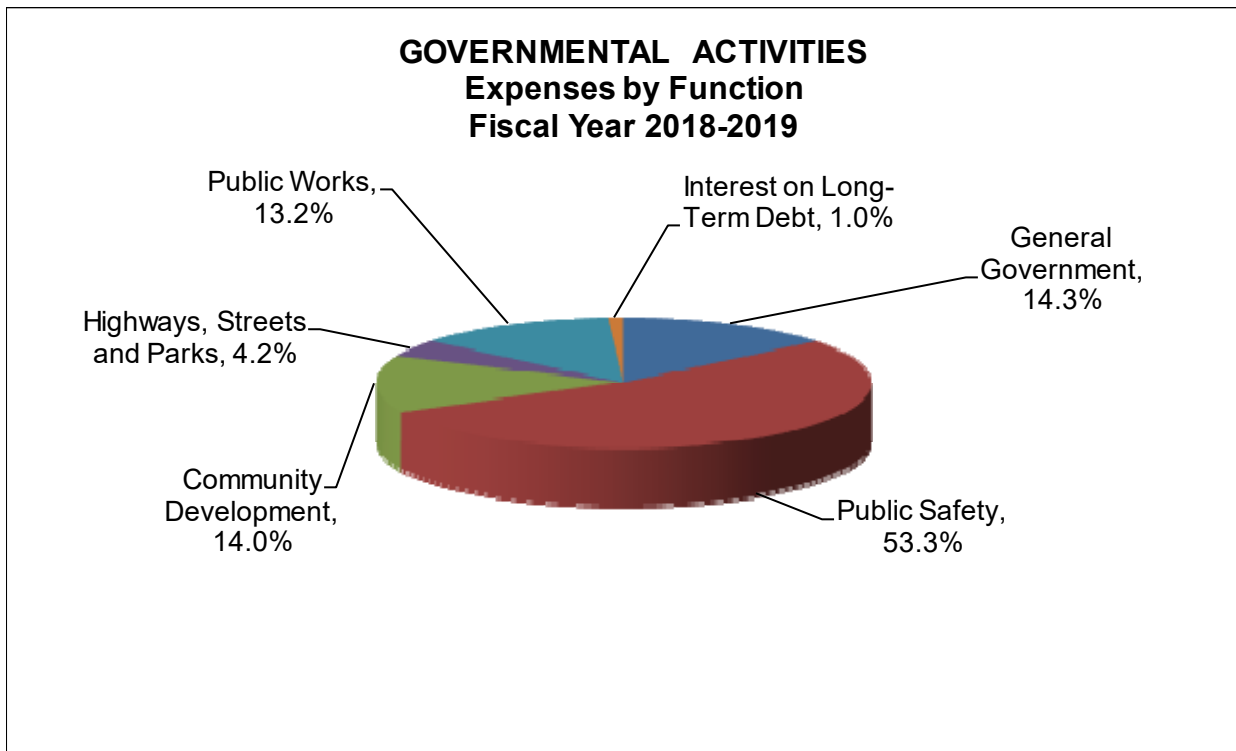
Revenue Source	2019	Percent of Total	Increase (Decrease) From 2018	Percent Increase (Decrease)
Charges for services	\$ 16,737,716	14.4%	\$ 2,076,047	12.4%
Operating contributions and grants	18,977,479	16.3%	3,848,374	20.3%
Capital contributions and grants	10,200,768	8.8%	3,229,298	31.7%
Property taxes	18,297,687	15.7%	1,085,647	5.9%
Sales taxes	28,408,757	24.4%	9,910,627	34.9%
Transient occupancy taxes	5,970,823	5.1%	558,347	9.4%
Franchise taxes	2,171,334	1.9%	405,617	18.7%
Business License taxes	6,921,485	5.9%	606,528	8.8%
Utility Users tax	6,358,691	5.5%	(368,124)	-5.8%
Other	2,514,678	2.0%	(9,093,628)	-361.6%
Total revenue	\$ 116,559,418	100.0%	\$ 12,258,733	10.5%



City of Hawthorne

**Management’s Discussion and Analysis
For the Year Ended June 30, 2019**

Function	2019	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
			From 2018	
General government	\$ 14,732,354	14.3%	\$ 30,499	0.2%
Public safety	54,981,502	53.3%	600,162	1.1%
Community development	14,471,029	14.0%	(1,027,291)	-7.1%
Parks and recreation	4,365,183	4.2%	(156,602)	-3.6%
Public works	13,563,064	13.2%	3,227,867	23.8%
Interest on long-term debt	1,003,660	1.0%	(345,082)	-34.4%
Total expenses	\$ 103,116,792	100.0%	\$ 2,329,553	2.3%



City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2019

Business-type Activities. Revenues of the City's business-type activities were \$2.4 million for the fiscal year ending June 30, 2019. Expenses for the City's business-type activities were \$2.6 million for the year, resulting in a net decrease in net position of \$258 thousand. The net revenues are the result of several factors, including the following;

The City's Airport recorded total revenue of \$883 thousand. Expenses for the City's Airport were \$1.7 million, resulting in a decrease in net position of \$863 thousand. The most significant expenses of the Airport are \$1.2 million for administration and general and \$346 thousand in depreciation.

The City's Sewer Maintenance services recorded charges for service of \$1.5 million, while expenses totaled \$884 thousand, resulting in an increase in net position of \$566 thousand. The most significant expenses of the Sewer Fund are \$611 thousand for administration and general and \$105 thousand for contractual services.

The decrease in net position from business-type activities was primarily due to increased expenses from administration and general.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 16,737,716	\$ 14,661,669	\$ 2,329,616	\$ 2,407,275	\$ 19,067,332	\$ 17,068,944
Operating contributions and grants	18,977,479	15,129,105	35,769	161,611	19,013,248	15,290,716
Capital contributions and grants	10,200,768	6,971,470	-	-	10,200,768	6,971,470
General revenues:						
Property taxes	18,297,687	17,212,040	-	-	18,297,687	17,212,040
Sales taxes	28,408,757	18,498,130	-	-	28,408,757	18,498,130
Transient occupancy taxes	5,970,823	5,412,476	-	-	5,970,823	5,412,476
Franchise taxes	2,171,334	1,765,717	-	-	2,171,334	1,765,717
Business License taxes	6,921,485	6,314,957	-	-	6,921,485	6,314,957
Utility Users tax	6,358,691	6,726,815	-	-	6,358,691	6,726,815
Other	2,514,678	11,608,306	7,071	12,195	2,521,749	11,620,501
Total Revenues	116,559,418	104,300,685	2,372,456	2,581,081	118,931,874	106,881,766
Expenses						
General government	14,732,354	14,701,855	-	-	14,732,354	14,701,855
Public safety	54,981,502	54,381,340	-	-	54,981,502	54,381,340
Community development	14,471,029	15,498,320	-	-	14,471,029	15,498,320
Parks and recreation	4,365,183	4,521,785	-	-	4,365,183	4,521,785
Public works	13,563,064	10,335,197	-	-	13,563,064	10,335,197
Interest on long-term debt	1,003,660	1,348,742	-	-	1,003,660	1,348,742
Airport	-	-	1,745,924	1,230,891	1,745,924	1,230,891
Sewer and storm drain	-	-	884,469	2,342,547	884,469	2,342,547
Total Expenses	103,116,792	100,787,239	2,630,393	3,573,438	105,747,185	104,360,677
Change in Net Position	13,442,626	3,513,446	(257,937)	(992,357)	13,184,689	2,521,089
Net Position, Beginning	(73,498,773)	(77,012,219)	10,521,201	11,513,558	(62,977,572)	(65,498,661)
Net Position, Ending	<u>\$ (60,056,147)</u>	<u>\$ (73,498,773)</u>	<u>\$ 10,263,264</u>	<u>\$ 10,521,201</u>	<u>\$ (49,792,883)</u>	<u>\$ (62,977,572)</u>

**Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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, 2019, the City of Hawthorne governmental funds reported combined fund balances of \$58.5 million, an increase of \$12.1 million in comparison with the prior year. Approximately 62.3% of this amount (\$36.4 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, 2019

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 \$37.3 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 53.0% of the total General Fund expenditures, while total fund balance represents approximately 53.0% of that same amount.

The fund balance of the City of Hawthorne General Fund increased by \$11.1 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 \$7.1 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 \$333 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 deficit of \$27 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 \$6.5 million. The total net income or (loss) for the Airport Fund was (\$856) 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 \$3.6 million. The total net income or (loss) for the Sewer and Storm Drain Fund was \$566 thousand.

City of Hawthorne

Management's Discussion and Analysis For the Year Ended June 30, 2019

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	\$ 63,445,159	\$ 70,510,829	\$ 7,065,670
Licenses and permits	2,223,040	3,318,633	1,095,593
Intergovernmental	1,304,408	1,206,550	(97,858)
Charges for services	2,160,462	2,428,090	267,628
Fines and forfeitures	2,800,000	3,311,235	511,235
Use of money and property	80,000	307,250	227,250
Contributions	200,000	148,469	(51,531)
Miscellaneous	1,400,000	1,335,242	(64,758)
	<u>\$ 73,613,069</u>	<u>\$ 82,566,298</u>	<u>\$ 8,953,229</u>

	Appropriated Expenditures	Actual Expenditures	Difference
General government	\$ 8,747,622	\$ 12,030,929	\$ (3,283,307)
Public safety	51,626,376	49,160,135	2,466,241
Community development	2,607,521	2,566,027	41,494
Parks and recreation	3,788,958	3,767,113	21,845
Public works	2,559,230	2,459,130	100,100
Capital outlay	333,149	243,571	89,578
	<u>\$ 69,662,856</u>	<u>\$ 70,226,905</u>	<u>\$ (564,049)</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, 2019, net capital assets totaled \$134.2 million for governmental activities and \$9.3 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, 2019

This investment in capital includes land, building, improvements other than buildings, infrastructure (Intersection Widening project, Traffic Signal Modification and El Segundo Blvd. Improvement project. etc.) and machinery and equipment (Police vehicle replacement, etc.). The total increase in the City's investment in capital asset for Fiscal Year 2018-2019 was \$7.6 million compared to prior year.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 6,966,028	\$ 6,966,028	\$ 37,314	\$ 37,314	\$ 7,003,342	\$ 7,003,342
Buildings and Improvements	24,821,880	26,268,752	1,110,866	1,188,862	25,932,746	27,457,614
Furniture and Equipment	3,888,230	3,612,807	-	-	3,888,230	3,612,807
Infrastructure	92,315,666	80,436,643	8,120,979	8,431,120	100,436,645	88,867,763
Investment in Joint Venture (RCC)	4,712,281	4,712,281	-	-	4,712,281	4,712,281
Construction in progress	1,525,926	4,205,959	-	-	1,525,926	4,205,959
Total	\$ 134,230,011	\$ 126,202,470	\$ 9,269,159	\$ 9,657,296	\$ 143,499,170	\$ 135,859,766

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

Long-term liabilities. At the end of the current fiscal year, the City had total bonded debt outstanding of \$32.6 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 Liabilities

	Governmental Activities		Internal Service Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Long-Term Debt:								
Bond	\$ 32,594,620	\$ 34,808,717	\$ -	\$ -	\$ -	\$ -	\$ 32,594,620	\$ 34,808,717
Lease payable	380,023	378,119	302,232	-	-	-	682,255	378,119
Loan payable	2,130,448	2,493,585	-	-	-	-	2,130,448	2,493,585
Total	\$ 35,105,091	\$ 37,680,421	\$ 302,232	\$ -	\$ -	\$ -	\$ 35,407,323	\$ 37,680,421
Operational Liabilities:								
Compensated absences	\$ 4,539,965	\$ 3,911,417	\$ 41,565	\$ 23,891	\$ 84,596	\$ 69,331	\$ 4,666,126	\$ 4,004,639
OPEB	105,254,000	105,728,000	-	-	-	-	105,254,000	105,728,000
Net Pension Liability	108,371,817	109,772,004	2,193,314	2,372,570	2,559,062	2,522,972	113,124,193	114,667,546
Claims and Judgment payable	-	-	4,037,710	3,463,756	-	-	4,037,710	3,463,756
Total	\$ 218,165,782	\$ 219,411,421	\$ 6,272,589	\$ 5,860,217	\$ 2,643,658	\$ 2,592,303	\$ 227,082,029	\$ 227,863,941

The City of Hawthorne's total long-term liabilities decreased by \$3.06 million during the current fiscal year, primarily due to the decrease in net pension liability during the year.

Additional information on the City of Hawthorne' long-term liabilities can be found in Note 5, 6, 7, 8, 11, and 12 of this report.

**Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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. The U.S economy expanded by almost 3% in 2018 and is expected to continue that trend in 2019 and 2020 with growth of 2.2% and 2.4% growth, respectively. Maintaining a conservative outlook, particularly with respect to revenues was the continued focus. In the case of the City of Hawthorne, slow and steady growth is projected at this point. The City's largest General Fund revenue source, Sales Tax, grew by 34.9% (\$9,910,627) in FY 2019 compared to FY 2018.

According to the February 2019 Economic Forecast and Industry Outlook prepared by the Los Angeles County Economic Development Corporation, *"LAEDC expects, all else being held relatively equal, the trend of aggregate Californian economic confidence should continue. These good expectations are forecast to include 3.0 percent gross state product growth in both 2019 and 2020, furthering the trend of Californian economic growth exceeding national growth. This gross state growth is forecasted to precipitate gains in real personal income by 2.9 and 2.8 percent in the coming two years, meaning the average Californian will earn over \$52,000 in real annual terms by 2020."*

In 2018, California's unemployment rate averaged 4.2%, the lowest since 2000. It is also expected to decline slowly over the next two years, reaching 3.4% in 2020 as we reach full employment. Job gains are estimated to occur across all sectors with the largest gains in construction, logistics, utilities, business services, education, health and tourism.

The average unemployment rate in Los Angeles County was estimated at 4.4%, down 0.2% from 4.6% a year ago according to the latest available data by State of California Employment Development Department. It is also expected to decline slowly over the next 2 years.

In developing the budget for fiscal year 2018-19, 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 Burlington, World Market, Skyrise Air Taxi, Medici Restaurant, and Amazon Ring 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 2018-19 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, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 54,989,931	\$ 3,594,161	\$ 58,584,092
Cash and investments with fiscal agents	1,419,778	-	1,419,778
Receivables:			
Accounts	7,950,708	262,790	8,213,498
Taxes	109,369	-	109,369
Interest	78,452	-	78,452
Internal balances	310,000	(310,000)	-
Due from successor agency	319,032	-	319,032
Inventories	66,509	-	66,509
Capital assets, not being depreciated	8,491,954	37,314	8,529,268
Capital assets, net of accumulated depreciation	125,738,057	9,231,845	134,969,902
Total assets	<u>199,473,790</u>	<u>12,816,110</u>	<u>212,289,900</u>
Deferred outflows of resources			
Unamortized loss on defeasance of debt	452,694	-	452,694
Pension related	20,307,231	312,105	20,619,336
OPEB related	2,932,000	-	2,932,000
Total deferred outflows of resources	<u>23,691,925</u>	<u>312,105</u>	<u>24,004,030</u>
Liabilities			
Accounts payable	2,695,428	24,651	2,720,079
Accrued liabilities	1,084,864	17,879	1,102,743
Accrued interest	484,695	-	484,695
Unearned revenue	960,274	79,853	1,040,127
Deposits payable	69,312	20,264	89,576
Non-current liabilities:			
Due within one year			
Claims and judgments	807,542	-	807,542
Compensated absences	916,306	16,919	933,225
Long-term lease payable	210,461	-	210,461
Long-term debt	2,481,858	-	2,481,858
Due in more than one year			
Claims and judgments	3,230,168	-	3,230,168
Compensated absences	3,665,224	67,677	3,732,901
Long-term lease payable	471,794	-	471,794
Long-term debt	32,243,210	-	32,243,210
Net pension liability	110,565,131	2,559,062	113,124,193
Net OPEB liability	105,254,000	-	105,254,000
Total liabilities	<u>265,140,267</u>	<u>2,786,305</u>	<u>267,926,572</u>
Deferred inflows of resources			
Pension related	5,116,595	78,646	5,195,241
OPEB related	12,965,000	-	12,965,000
Total deferred inflows of resources	<u>18,081,595</u>	<u>78,646</u>	<u>18,160,241</u>
Net position			
Net investment in capital assets	113,929,703	9,269,159	123,198,862
Restricted for:			
Public works	7,328,057	-	7,328,057
Public safety	908,793	-	908,793
Capital improvements	3,787,315	-	3,787,315
Debt service	2,287,599	-	2,287,599
Community development	7,686,125	-	7,686,125
Unrestricted	(195,983,739)	994,105	(194,989,634)
Total net position (deficit)	<u>\$ (60,056,147)</u>	<u>\$ 10,263,264</u>	<u>\$ (49,792,883)</u>

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

City of Hawthorne

**Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 14,732,354	\$ 6,387,835	\$ 4,814,476	\$ -
Public safety	54,981,502	4,887,085	1,202,889	-
Community development	14,471,029	2,808,953	5,662,713	5,684,163
Parks and recreation	4,365,183	637,610	-	-
Public works	13,563,064	2,016,233	7,297,401	4,516,605
Interest on long-term debt	1,003,660	-	-	-
Total governmental activities	103,116,792	16,737,716	18,977,479	10,200,768
Business-type activities:				
Airport	1,745,924	847,109	35,769	-
Sewer and storm drain	884,469	1,450,926	-	-
Storm water	-	31,581	-	-
Total business-type activities	2,630,393	2,329,616	35,769	-
Total Primary Government	\$ 105,747,185	\$ 19,067,332	\$ 19,013,248	\$ 10,200,768

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>
\$ (3,530,043)	\$ -	\$ (3,530,043)
(48,891,528)	-	(48,891,528)
(315,200)	-	(315,200)
(3,727,573)	-	(3,727,573)
267,175	-	267,175
(1,003,660)	-	(1,003,660)
<u>(57,200,829)</u>	<u>-</u>	<u>(57,200,829)</u>
-	(863,046)	(863,046)
-	566,457	566,457
-	31,581	31,581
<u>-</u>	<u>(265,008)</u>	<u>(265,008)</u>
<u>(57,200,829)</u>	<u>(265,008)</u>	<u>(57,465,837)</u>
18,297,687	-	18,297,687
28,408,757	-	28,408,757
5,970,823	-	5,970,823
2,171,334	-	2,171,334
6,921,485	-	6,921,485
6,358,691	-	6,358,691
2,104,588	7,071	2,111,659
410,090	-	410,090
<u>70,643,455</u>	<u>7,071</u>	<u>70,650,526</u>
13,442,626	(257,937)	13,184,689
<u>(73,498,773)</u>	<u>10,521,201</u>	<u>(62,977,572)</u>
<u>\$ (60,056,147)</u>	<u>\$ 10,263,264</u>	<u>\$ (49,792,883)</u>

City of Hawthorne

**Balance Sheet – Governmental Funds
June 30, 2019**

	General	Special Revenue Funds	
		Housing Asset	HOME Grant
ASSETS			
Cash and investments	\$ 30,074,866	\$ 7,139,874	\$ 1,208,135
Cash and investments with fiscal agents	-	-	-
Receivables:			
Accounts	7,315,467	4,541	67,116
Taxes	90,571	-	-
Interest	49,380	9,164	-
Due from successor agency	-	319,032	-
Due from other funds	1,385,331	-	-
Advances to other funds	-	-	-
Inventories	52,198	-	-
Total assets	<u>\$ 38,967,813</u>	<u>\$ 7,472,611</u>	<u>\$ 1,275,251</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 887,987	\$ 12,699	\$ 69,946
Accrued liabilities	799,538	61,741	42
Unearned revenue	752	-	872,158
Deposits payable	25,000	26,415	-
Due to other funds	-	-	-
Advances from other funds	-	-	-
Total liabilities	<u>1,713,277</u>	<u>100,855</u>	<u>942,146</u>
Deferred Inflows of Resources:			
Unavailable revenue	-	319,032	-
Fund Balances:			
Nonspendable	52,198	-	-
Restricted	-	7,052,724	333,105
Unassigned	37,202,338	-	-
Total fund balances	<u>37,254,536</u>	<u>7,052,724</u>	<u>333,105</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 38,967,813</u>	<u>\$ 7,472,611</u>	<u>\$ 1,275,251</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
\$ 576,952	\$ 14,481,463	\$ 53,481,290
-	1,419,778	1,419,778
-	560,096	7,947,220
-	18,798	109,369
-	19,908	78,452
-	-	319,032
-	-	1,385,331
40,637	78,569	119,206
-	-	52,198
<u>\$ 617,589</u>	<u>\$ 16,578,612</u>	<u>\$ 64,911,876</u>
\$ -	\$ 1,535,675	\$ 2,506,307
174,315	49,228	1,084,864
87,364	-	960,274
-	17,897	69,312
383,068	1,002,263	1,385,331
-	52,826	52,826
<u>644,747</u>	<u>2,657,889</u>	<u>6,058,914</u>
-	41,991	361,023
-	-	52,198
-	14,612,060	21,997,889
(27,158)	(733,328)	36,441,852
<u>(27,158)</u>	<u>13,878,732</u>	<u>58,491,939</u>
<u>\$ 617,589</u>	<u>\$ 16,578,612</u>	<u>\$ 64,911,876</u>

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

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City of Hawthorne

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2019

Fund balances of governmental funds		\$ 58,491,939
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.		132,335,250
Deferred outflows and inflows of resources related to pensions have not been reported in the governmental funds. These amounts exclude pension related deferred outflow and inflows reported in the internal service funds.		
Pension related deferred outflows of resources	\$ 20,039,734	
Pension related deferred inflows of resources	(5,049,189)	
Other post-employment benefits related deferred inflows of resources	(12,965,000)	
Other post-employment benefits related deferred outflows of resources	<u>2,932,000</u>	4,957,545
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.		
Bonds payable	(32,594,620)	
Compensated absences	(4,539,965)	
Net pension liability	(108,371,817)	
Other post-employment benefits obligation	(105,254,000)	
Capital lease payable	(380,023)	
Loan payable - West Basin	(20,448)	
Section 108 loan payable	<u>(2,110,000)</u>	(253,270,873)
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		452,694
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		361,023
Accrued interest payable for the interest due on long-term debt has not been reported in the governmental funds.		(484,695)
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>(2,899,030)</u>
Net position (deficit) of governmental activities		<u>\$ (60,056,147)</u>

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

City of Hawthorne

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2019**

	General	Special Revenue Funds	
		Housing Asset	HOME Grant
Revenues			
Taxes	\$ 70,510,829	\$ 1,388,939	\$ -
Licenses and permits	3,318,633	-	-
Intergovernmental	1,206,550	-	114,046
Charges for services	2,428,090	-	-
Fines and forfeitures	3,311,235	-	-
Use of money and property	307,250	398,084	107,729
Contributions	148,469	-	-
Miscellaneous	1,335,242	-	-
Total revenues	<u>82,566,298</u>	<u>1,787,023</u>	<u>221,775</u>
Expenditures			
Current:			
General government	12,030,929	-	-
Public safety	49,160,135	-	-
Public works	2,459,130	-	-
Community development	2,566,027	406,036	162,091
Parks and recreation	3,767,113	-	-
Capital outlay	243,571	-	-
Debt service:			
Principal payment	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>70,226,905</u>	<u>406,036</u>	<u>162,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,339,393</u>	<u>1,380,987</u>	<u>59,684</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	<u>(1,200,318)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,200,318)</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	11,139,075	1,380,987	59,684
Fund Balances, Beginning	<u>26,115,461</u>	<u>5,671,737</u>	<u>273,421</u>
Fund Balances, Ending	<u>\$ 37,254,536</u>	<u>\$ 7,052,724</u>	<u>\$ 333,105</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
\$ -	\$ 3,899,549	\$ 75,799,317
-	803,313	4,121,946
9,846,000	11,349,204	22,515,800
-	203,014	2,631,104
-	930,174	4,241,409
11	124,118	937,192
-	3,521,706	3,670,175
22,194	2,735,853	4,093,289
<u>9,868,205</u>	<u>23,566,931</u>	<u>118,010,232</u>
-	42,156	12,073,085
-	1,278,746	50,438,881
-	16,291,389	18,750,519
10,096,100	576,842	13,807,096
-	-	3,767,113
-	3,117,035	3,360,606
-	2,414,644	2,414,644
-	1,142,617	1,142,617
<u>10,096,100</u>	<u>24,863,429</u>	<u>105,754,561</u>
<u>(227,895)</u>	<u>(1,296,498)</u>	<u>12,255,671</u>
-	2,950,318	2,950,318
-	(1,908,800)	(3,109,118)
-	1,041,518	(158,800)
(227,895)	(254,980)	12,096,871
<u>200,737</u>	<u>14,133,712</u>	<u>46,395,068</u>
<u>\$ (27,158)</u>	<u>\$ 13,878,732</u>	<u>\$ 58,491,939</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, 2019

Net changes in fund balances - total governmental funds \$ 12,096,871

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	\$ 12,202,155	
Depreciation expense, net of deletions of capital assets	<u>(4,756,171)</u>	7,445,984

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	(1,450,814)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has an effect on net position:

Principal payments on long-term debt	2,414,644	
Principal payments of capital leases	117,203	
Principal payments of notes payable	8,137	
Changes in pension related items	<u>(5,403,543)</u>	(2,863,559)

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	(628,548)	
Changes in other post-employment benefits related items	(861,000)	
Change in accrued interest	30,767	
Amortization of bond discount	(8,498)	
Amortization of bond premium	162,951	
Amortization of deferred amount on refunding	<u>(46,263)</u>	(1,350,591)

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>(435,265)</u>
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Changes in net position of governmental activities

	<u>\$ 13,442,626</u>
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The accompanying notes are an integral part of these financial statements.

City of Hawthorne

Statement of Net Position Proprietary Funds June 30, 2019

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 1,035,039	\$ 2,396,076	\$ 163,046	\$ 3,594,161	\$ 1,508,641
Receivables:					
Accounts	93,410	169,380	-	262,790	3,488
Advances to other funds	-	-	-	-	310,000
Inventories	-	-	-	-	14,311
Total current assets	<u>1,128,449</u>	<u>2,565,456</u>	<u>163,046</u>	<u>3,856,951</u>	<u>1,836,440</u>
Noncurrent assets:					
Capital assets, not depreciated	37,314	-	-	37,314	-
Capital assets, net of depreciation	7,129,450	2,102,395	-	9,231,845	1,894,761
Total noncurrent assets	<u>7,166,764</u>	<u>2,102,395</u>	<u>-</u>	<u>9,269,159</u>	<u>1,894,761</u>
Total assets	<u>8,295,213</u>	<u>4,667,851</u>	<u>163,046</u>	<u>13,126,110</u>	<u>3,731,201</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	<u>175,526</u>	<u>136,579</u>	<u>-</u>	<u>312,105</u>	<u>267,497</u>
LIABILITIES					
Current liabilities:					
Accounts payable	13,742	10,909	-	24,651	189,121
Accrued liabilities	11,738	6,141	-	17,879	-
Unearned revenue	79,853	-	-	79,853	-
Deposits payable	20,264	-	-	20,264	-
Compensated absences	16,919	-	-	16,919	8,313
Advances from other funds	310,000	-	-	310,000	66,380
Claims and judgements	-	-	-	-	807,542
Capital lease	-	-	-	-	78,795
Total current liabilities	<u>452,516</u>	<u>17,050</u>	<u>-</u>	<u>469,566</u>	<u>1,150,151</u>
Noncurrent liabilities:					
Compensated absences	67,677	-	-	67,677	33,252
Claims and judgements	-	-	-	-	3,230,168
Net pension liability	1,439,203	1,119,859	-	2,559,062	2,193,314
Capital lease	-	-	-	-	223,437
Total noncurrent liabilities	<u>1,506,880</u>	<u>1,119,859</u>	<u>-</u>	<u>2,626,739</u>	<u>5,680,171</u>
Total liabilities	<u>1,959,396</u>	<u>1,136,909</u>	<u>-</u>	<u>3,096,305</u>	<u>6,830,322</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related	<u>44,230</u>	<u>34,416</u>	<u>-</u>	<u>78,646</u>	<u>67,406</u>
NET POSITION					
Net investment in capital assets	7,166,764	2,102,395	-	9,269,159	1,894,761
Unrestricted	(699,651)	1,530,710	163,046	994,105	(4,793,791)
Total net position (deficit)	<u>\$ 6,467,113</u>	<u>\$ 3,633,105</u>	<u>\$ 163,046</u>	<u>\$ 10,263,264</u>	<u>\$ (2,899,030)</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, 2019**

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES					
Sales and service charges	\$ 847,109	\$ 1,450,926	\$ 31,581	\$ 2,329,616	\$ 7,160,131
Intergovernmental	35,769	-	-	35,769	-
Miscellaneous	7,071	-	-	7,071	-
	<u>889,949</u>	<u>1,450,926</u>	<u>31,581</u>	<u>2,372,456</u>	<u>7,160,131</u>
Total operating revenues					
OPERATING EXPENSES					
Administration and general	1,235,335	611,177	-	1,846,512	2,089,414
Materials and supplies	21,328	23,143	-	44,471	383,933
Contractual services	107,129	104,876	-	212,005	5,057,761
Cost of sales and services	36,060	77,806	-	113,866	-
Depreciation	346,072	67,467	-	413,539	223,088
	<u>1,745,924</u>	<u>884,469</u>	<u>-</u>	<u>2,630,393</u>	<u>7,754,196</u>
Total operating expenses					
Income (loss) before transfers	(855,975)	566,457	31,581	(257,937)	(594,065)
Transfers in	-	-	-	-	158,800
Change in Net Position	(855,975)	566,457	31,581	(257,937)	(435,265)
NET POSITION					
Net Position (Deficit), Beginning	7,323,088	3,066,648	131,465	10,521,201	(2,463,765)
Net Position (Deficit), Ending	<u>\$ 6,467,113</u>	<u>\$ 3,633,105</u>	<u>\$ 163,046</u>	<u>\$ 10,263,264</u>	<u>\$ (2,899,030)</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, 2019

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities Internal Service Funds
Cash flows from operating activities					
Cash received from customers and users	\$ 902,243	\$ 1,468,143	\$ 31,581	\$ 2,401,967	\$ 7,164,323
Cash paid to suppliers for goods and services	(947,734)	(258,556)	-	(1,206,290)	(6,150,681)
Cash paid to employees for services	123,601	(513,714)	-	(390,113)	(407,330)
Net cash provided by operating activities	<u>78,110</u>	<u>695,873</u>	<u>31,581</u>	<u>805,564</u>	<u>606,312</u>
Cash flows from noncapital financing activities					
Cash paid to other funds	-	-	-	-	(33,190)
Transfer from general fund	-	-	-	-	158,800
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,610</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	-	(25,402)	-	(25,402)	(383,306)
Net cash used for capital and related financing activities	<u>-</u>	<u>(25,402)</u>	<u>-</u>	<u>(25,402)</u>	<u>(383,306)</u>
Net increase in cash and cash equivalents	78,110	670,471	31,581	780,162	348,616
Cash and cash equivalents, beginning of year	956,929	1,725,605	131,465	2,813,999	1,160,025
Cash and cash equivalents, end of year	<u>\$ 1,035,039</u>	<u>\$ 2,396,076</u>	<u>\$ 163,046</u>	<u>\$ 3,594,161</u>	<u>\$ 1,508,641</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (855,975)	\$ 566,457	\$ 31,581	\$ (257,937)	\$ (594,065)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	346,072	67,467	-	413,539	223,088
(Increase) decrease in assets/deferred outflows:					
Accounts receivable	(60,625)	17,217	-	(43,408)	4,192
Interest receivable	-	-	-	-	-
Deferred outflows of resources	194,370	365,081	-	559,451	579,074
Increase (decrease) in liabilities/deferred inflows:					
Accounts payable	(17,154)	(9,231)	-	(26,385)	(27,409)
Accrued liabilities	2,342	(3,800)	-	(1,458)	-
Claims and judgements payable	-	-	-	-	573,954
Unearned revenue	72,919	-	-	72,919	-
Deposits payable	56	-	-	56	-
Compensated absences	15,265	-	-	15,265	17,674
Net pension liability	348,008	(311,918)	-	36,090	(179,256)
Deferred inflows of resources	32,832	4,600	-	37,432	9,060
Total adjustments	<u>934,085</u>	<u>129,416</u>	<u>-</u>	<u>1,063,501</u>	<u>1,200,377</u>
Net cash provided by operating activities	<u>\$ 78,110</u>	<u>\$ 695,873</u>	<u>\$ 31,581</u>	<u>\$ 805,564</u>	<u>\$ 606,312</u>
Schedule of Noncash investing, capital and related financing activities					
Lease of asset	\$ -	\$ -	\$ -	\$ -	\$ 302,232

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

City of Hawthorne

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019**

	Agency Fund	Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
Assets		
Cash and investments	\$ 3,537,350	\$ 1,368,495
Cash and investments with fiscal agents	5,535,096	645
Taxes receivable	22,705	-
Accounts receivable, net	1,686	-
Interest receivable	1,693	2,112
Total assets	\$ 9,098,530	1,371,252
Deferred Outflows of Resources		
Deferred amount on refunding		1,225,751
Liabilities		
Accounts payable	\$ 77,978	4,406
Accrued liabilities	621,000	1,467
Interest payable	-	441,961
Advances from City of Hawthorne	-	45,307,126
Deposits payable	2,759,687	-
Due to bondholders	5,639,865	-
Due to City of Hawthorne	-	319,032
Long-term liabilities:		
Due within one year	-	1,415,000
Due in more than one year	-	59,192,382
Total liabilities	\$ 9,098,530	106,681,374
Fiduciary Net Position (Deficit)		
Unrestricted net position (deficit)		\$ (104,084,371)

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, 2019**

	Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund
Revenues	
Taxes	\$ 6,019,769
Use of money and property	52,324
Miscellaneous revenue	103,153
Total revenues	<u>6,175,246</u>
Expenses	
General government	1,448,318
Debt service:	
Interest and fiscal charges	<u>2,349,313</u>
Total expenses	<u>3,797,631</u>
Changes in net position	2,377,615
Net position (deficit) held in trust, beginning	<u>(106,461,986)</u>
Net position (deficit) held in trust, ending	<u><u>\$ (104,084,371)</u></u>

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

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**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

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, 2019**

- 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, 2019**

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, 2019

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, 2019**

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, 2019**

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, 2019.

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, 2019.

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, 2019**

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, 2019**

- 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, 2019**

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, 2019**

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 16 for the list of deferred inflows and deferred outflows of resources the City has recognized as of June 30, 2019.

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, 2019**

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, 2019**

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, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

Other Post-Employment 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, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 58,584,092
Cash and investments with fiscal agents	1,419,778
Statement of fiduciary net position:	
Cash and investments	4,905,845
Cash and investments with fiscal agents	<u>5,535,741</u>
Total	<u>\$ 70,445,456</u>

Cash and investments at June 30, 2019, consisted of the following:

Cash and cash equivalents:	
Petty cash	\$ 3,487
Demand deposits - City	41,417,907
Demand deposits - Successor Agency	<u>2,286,905</u>
Total cash and cash equivalents	<u>43,708,299</u>
Investments:	
Local Agency Investment Fund	12,792,683
Negotiable Certificates of Deposit	6,988,954
Held by Bond Trustee	<u>6,955,520</u>
Total investments	<u>26,737,157</u>
Total	<u>\$ 70,445,456</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, 2019

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, 2019

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, 2019:

Investment Type	Amount	Minimum Legal Rating	AAA	Not Rated
External Investment Pools -				
Local Agency Investment Fund	\$ 12,792,683	N/A	\$ -	\$ 12,792,683
Negotiable Certificates of Deposits	6,988,954	N/A	6,988,954	-
US Treasury Notes	615,939	N/A	615,939	-
Held by Bond Trustee:				
Money Market Mutual Funds	5,612,456		5,612,456	-
Investment Agreements	<u>727,125</u>	N/A	<u>-</u>	<u>727,125</u>
Total	<u>\$ 26,737,157</u>		<u>\$ 13,217,349</u>	<u>\$ 13,519,808</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, 2019, the City deposits (bank balances) were collateralized under California Law.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

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, 2019, 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, 2019, 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	\$ 12,792,683	\$ -	\$ -	\$ 12,792,683
Negotiable Certificates of Deposits	6,988,954	-	-	6,988,954
US Treasury Notes	615,939	-	-	615,939
Held by Bond Trustee:				
Money Market Mutual Funds	5,612,456	-	-	5,612,456
Investment Agreements	-	-	727,125	727,125
Total Investments	<u>\$ 26,010,032</u>	<u>\$ -</u>	<u>\$ 727,125</u>	<u>\$ 26,737,157</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

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, 2019.

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Negotiable Certificates of Deposit	\$ 6,988,954	\$ -	\$6,988,954	\$ -
Investment Agreements	727,125	-	727,125	-
US Treasury Notes	615,939	615,939	-	-
Total Investments by Fair Value Level	8,332,018	<u>\$ 615,939</u>	<u>\$7,716,079</u>	<u>\$ -</u>
Investments Measured at Net Asset Value (NAV):				
Local Agency Investment Fund	12,792,683			
Held by Bond Trustee:				
Money Market Mutual Funds	<u>5,612,456</u>			
Total	<u>\$ 26,737,157</u>			

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

3) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2019:

Governmental activities:	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 6,966,028	\$ -	\$ -	\$ 6,966,028
Construction in progress	4,205,959	12,115,015	(14,795,048)	1,525,926
Total capital assets, not being depreciated	11,171,987	12,115,015	(14,795,048)	8,491,954
Capital assets, being depreciated:				
Structures and improvements	55,127,090	-	-	55,127,090
Machinery and equipment:				
City	21,467,611	244,999	(38,752)	21,673,858
Equipment replacement/vehicles	7,935,201	685,539	(110,683)	8,510,057
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	137,787,930	14,795,048	-	152,582,978
Investment in joint venture (RCC)	7,260,613	-	-	7,260,613
Total capital assets, being depreciated	245,937,999	15,725,586	(149,435)	261,514,150
Less accumulated depreciation for:				
Structures and improvements	(28,858,338)	(1,446,872)	-	(30,305,210)
Machinery and equipment:				
City	(19,498,738)	(419,054)	36,901	(19,880,891)
Equipment replacement/vehicles	(6,502,890)	(223,089)	110,683	(6,615,296)
Parking Authority - structures	(16,147,931)	(11,121)	-	(16,159,052)
Infrastructure	(57,351,287)	(2,916,025)	-	(60,267,312)
Investment in joint venture (RCC)	(2,548,332)	-	-	(2,548,332)
Total accumulated depreciation	(130,907,516)	(5,016,161)	147,584	(135,776,093)
Total capital assets, being depreciated, net	115,030,483	10,709,425	(1,851)	125,738,057
Total governmental activities	<u>\$ 126,202,470</u>	<u>\$ 22,824,440</u>	<u>\$ (14,796,899)</u>	<u>\$ 134,230,011</u>

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

3) CAPITAL ASSETS, (continued)

Business-type activities:	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 37,314	\$ -	\$ -	\$ 37,314
Total capital assets, not being depreciated	<u>37,314</u>	<u>-</u>	<u>-</u>	<u>37,314</u>
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	13,006,832	25,402	-	13,032,234
Total capital assets, being depreciated	<u>26,778,094</u>	<u>25,402</u>	<u>-</u>	<u>26,803,496</u>
Less accumulated depreciation for:				
Structures and improvements	(1,831,248)	(77,996)	-	(1,909,244)
Machinery and equipment	(28,130)	-	-	(28,130)
Infrastructure:				
Airport	(4,436,371)	(268,076)	-	(4,704,447)
Storm and sewer drain	(10,862,363)	(67,467)	-	(10,929,830)
Total accumulated depreciation	<u>(17,158,112)</u>	<u>(413,539)</u>	<u>-</u>	<u>(17,571,651)</u>
Total capital assets, being depreciated, net	<u>9,619,982</u>	<u>(388,137)</u>	<u>-</u>	<u>9,231,845</u>
Total business-type activities	<u>\$ 9,657,296</u>	<u>\$ (388,137)</u>	<u>\$ -</u>	<u>\$ 9,269,159</u>

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

Governmental Activities:	
General government	\$ 293,681
Public safety	1,340,656
Public works	2,928,247
Community development	84,429
Parks and recreation	146,059
Internal service fund-equipment replacement	223,089
Total depreciation expense – governmental activities	<u>\$ 5,016,161</u>
Business-type Activities:	
Structures and improvements - Airport	\$ 77,996
Infrastructure:	
Airport	268,076
Sewer and storm drain	67,467
Total depreciation expense – business-type activities	<u>\$ 413,539</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

3) CAPITAL ASSETS, (continued)

Assets acquired through capital lease are as follows:

Machinery and equipment	\$ 1,003,640
Less: Accumulated Depreciation	(290,656)
	<u>\$ 712,984</u>

4) INTERFUND ACTIVITY

The following represents the City's interfund activity for the fiscal year ended June 30, 2019.

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, 2019:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 1,385,331	Hawthorne Housing Authority	\$ 383,068
		Non-Major Funds:	
		Community Development Block Grant	300,000
		California Office of Traffic Safety	84,823
		ABC Grant Assistance Program	1,513
		Local Law Enforcement Block Grant	28,410
		State Gas Tax	587,517
Totals	<u>\$ 1,385,331</u>		<u>\$ 1,385,331</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, 2019**

4) INTERFUND ACTIVITY, (continued)

Advances to/from Other Funds

Receivable Fund	Amount	Payable Fund	Amount
Major Funds:		Non-Major Funds:	
Hawthorne Housing Authority	\$ 40,637	2016 Refunding Bonds	\$ 52,826
Non-Major Funds:		Internal Service Fund:	
Street	78,569	Insurance Reserve	66,380
Internal Service Fund:		Enterprise Fund:	
Equipment Replacement	310,000	Airport	310,000
Totals	\$ 429,206		\$ 429,206

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, 2019, 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	\$ 45,307,126

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 \$45,307,126 (including \$25,732,271 of accrued interest) has been reserved as potentially uncollectible as of June 30, 2019.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

4) INTERFUND ACTIVITY, (continued)

Interfund Transfers

<u>Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major Fund:		
General	\$ -	\$ 1,200,318
Non-Major Funds:		
CDBG	311,377	-
Gas Tax	-	1,750,000
Street	1,750,000	-
Street Improvement	-	158,800
Public Financing Authority	717,937	-
2016 Direct Placement Lease Financing	171,004	-
Internal Service Funds:		
Equipment Fund	158,800	
	<u>\$ 3,109,118</u>	<u>\$ 3,109,118</u>

The transfer from the Gas Tax Fund to the Street Fund in the amount of \$1,750,000 was to fund eligible projects and programs in the Street Fund.

The transfer from the General Fund in the amount of \$1,200,318 to non-major funds consists of \$717,937 for debt service on the 1997/2011 COP bonds, \$171,004 for debt service on the 2007 SBPRCA Series B bonds and \$311,377 for administrative fees and CDBG expenses.

The transfer from the Equipment Fund to the Street Improvement Fund in the amount of \$158,800 was for administrative fees.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

5) LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Governmental Funds:					
Revenue bonds - 2011 Series A - direct placement	\$ 3,178,249	\$ -	\$ (582,744)	\$ 2,595,505	\$ 608,203
2016 Direct Placement Lease Financing	2,419,000	-	(171,900)	2,247,100	180,100
2016 Certificates of Participation	27,295,000	-	(1,305,000)	25,990,000	1,330,000
Plus (less) deferred amounts:					
Issuance premium	2,018,441	-	(162,951)	1,855,490	-
Issuance discount	(101,973)	-	8,498	(93,475)	-
Total bonds payable	<u>34,808,717</u>	<u>-</u>	<u>(2,214,097)</u>	<u>32,594,620</u>	<u>2,118,303</u>
Notes Payable:					
Governmental Funds:					
Loan payable - West Basin - direct borrowing	28,585	-	(8,137)	20,448	8,555
Section 108 loan payable - direct borrowing	2,465,000	-	(355,000)	2,110,000	355,000
Total notes payable	<u>2,493,585</u>	<u>-</u>	<u>(363,137)</u>	<u>2,130,448</u>	<u>363,555</u>
Total long-term debt	<u>\$ 37,302,302</u>	<u>\$ -</u>	<u>\$ (2,577,234)</u>	<u>\$ 34,725,068</u>	<u>\$ 2,481,858</u>

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. Total principal and interest remaining on the bonds as of June 30, 2019 is \$2,863,462 payable through 2023.

The indenture establishes a valid first and exclusive lien on and pledge of the City's Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

Upon default, the Bonds are subject to mandatory redemption in whole on any date or in part on any Interest Payment Date, from the proceeds of a mandatory redemption of the Certificates under the Trust Agreement from the Net Proceeds of insurance, title insurance, condemnation, or eminent domain award to the extent credited towards the prepayment of the Lease payments by the City pursuant to the Lease Agreement, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the redemption date, without premium. The Bonds are not subject to optional redemption prior to maturity.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

5) LONG-TERM DEBT, (continued)

2011 Series A Revenue Bonds, (continued)

Following is a summary of the debt service requirements to maturity:

Year Ending June 30,	Principal	Interest	Total
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>\$ 2,595,505</u>	<u>\$ 267,957</u>	<u>\$ 2,863,462</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%. Total principal and interest remaining on the bonds as of June 30, 2019 is \$2,619,323 payable through 2030.

The obligation of the City to make Lease Payments pursuant to the Lease Agreement does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The City will pay Lease Payments from its general funds. No amounts in the general funds of the City will be segregated, set aside or pledged to the payment of the Lease Payments and no amounts will be reasonably expected to be used directly or indirectly to pay Lease Payments.

If the City fails to perform any of its obligations under the Lease Agreement, the Sublessor may take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances as additional rental as provided for under the terms of the agreement, with interest at the rate set forth in Section 4.3(c) of the agreement.

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

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

5) LONG-TERM DEBT, (continued)

2016 Direct Placement Lease Financing, (continued)

The total debt service requirements to maturity as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	199,300	39,780	239,080
2025-2029	1,068,400	117,121	1,185,521
2030	233,450	6,186	239,636
Total	<u>\$ 2,247,100</u>	<u>\$ 372,223</u>	<u>\$ 2,619,323</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.

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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

5) LONG-TERM DEBT, (continued)

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

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 obligation of the City to make the Lease Payments under the Lease Agreement for the 2016 Certificate of Participation Series A and Series B does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Lease Payments does not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the City has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the City, in its discretion, may determine to pay prior to the Lease Payments.

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant in the Lease Agreement to be kept and performed by the City is expressly made a condition and upon the breach thereof, the Corporation may exercise any and all rights of entry and reentry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Corporation, the City shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions contained in the Lease Agreement and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as provided on the Lease Agreement.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

5) LONG-TERM DEBT, (continued)

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

Series B Certificates, (continued)

The total debt service requirements to maturity as of June 30, 2019, are as follows:

Year Ending June 30,	Series A		Series B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	505,800	2,150,000	184,298	2,150,000	690,098
2025-2029	7,185,000	2,114,900	4,730,000	164,805	11,915,000	2,279,705
2030	5,460,000	220,600	-	-	5,460,000	220,600
Total	<u>\$ 12,645,000</u>	<u>\$ 4,864,500</u>	<u>\$ 13,345,000</u>	<u>\$ 1,595,068</u>	<u>\$ 25,990,000</u>	<u>\$ 6,459,568</u>

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. Total principal and interest remaining on the loan as of June 30, 2019 is \$21,916.

The City can pay the loan balance with no penalty. If any action is instituted to enforce the loan agreement, the prevailing party shall reimburse all reasonable attorney's fees, costs of collection, as well as any other costs and expenses incurred in connection with enforcement effort. The City shall not assign, sell, or otherwise transfer any obligation or interest in the agreement without specific written consent of the District.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

5) LONG-TERM DEBT, (continued)

Loan Payable – West Basin, (continued)

The total debt service requirements to maturity as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 8,555	\$ 927	\$ 9,482
2021	8,993	489	9,482
2022	2,900	52	2,952
Total	<u>\$ 20,448</u>	<u>\$ 1,468</u>	<u>\$ 21,916</u>

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. Total principal and interest remaining on the loan as of June 30, 2019 is \$2,482,919.

The City has pledged as security for the repayment of the note, the following: (a) all allocations or grants which have been made or for which the Borrower may become eligible under Section 106 of the Act, as well as any grants which are or may become available to the Borrower pursuant to Section 108(q); (b) Program income, as defined at 24 CFR 570.500(a)(or any successor regulation), directly generated from the use of the Guaranteed Loan Funds; (c) Other security as described in paragraph 15, et seq., or incorporated herein by paragraph C hereof, as applicable; (d) All proceeds (including insurance and condemnation proceeds) from any of the foregoing; and (e) All funds or investments in the accounts established pursuant to paragraphs 1 and 6 of the contract.

A default under this note shall occur upon failure by the borrower to pay principal or interest on this note when due to the Trustee. On any Interest Due Date on or after the first permissible Optional Redemption Date, if either (i) a Borrower defaults on the payment of any interest or principal amount when due or (ii) the Secretary gives notice of a final decision to declare the Borrower in default pursuant to the following paragraph, then the Secretary may, but is not obligated to, make an acceleration payment to the Trustee equal to the unpaid Aggregate Principal Amount of the note, together with accrued and unpaid interest thereon to such Interest Due Date.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

5) LONG-TERM DEBT, (continued)

Section 108 Loan, (continued)

The total debt service requirements to maturity as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	355,000	30,730	385,730
2025	335,000	10,067	345,067
Total	<u>\$ 2,110,000</u>	<u>\$ 372,919</u>	<u>\$ 2,482,919</u>

6) CAPITAL LEASE

The following is a summary of changes in long-term lease for governmental activities for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Lease Payable:					
Governmental Funds					
Capital lease payable - AT&T	\$ 378,119	\$ -	\$ (108,663)	\$ 269,456	\$ 112,696
Capital lease payable - Ricoh Copier Lease	-	119,108	(8,541)	110,567	18,970
Internal Service Funds					
Capital lease payable - Radio Lease	-	302,232	-	302,232	78,795
Total capital leases	<u>\$ 378,119</u>	<u>\$ 421,340</u>	<u>\$ (117,204)</u>	<u>\$ 682,255</u>	<u>\$ 210,461</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

6) CAPITAL LEASE, (continued)

Capital Lease Payable - AT&T

In 2017, the City entered into a capital lease with AT&T Capital services, Inc. 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, 2019:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 112,696	\$ 7,962	\$ 120,658
2021	116,879	-	116,879
2022	<u>39,881</u>	<u>304</u>	<u>40,185</u>
Total	<u>\$ 269,456</u>	<u>\$ 8,266</u>	<u>\$ 277,722</u>

Capital Lease Payable – Radio Lease

In December 2018, the City entered into a capital lease agreement with Ricoh USA Inc. to acquire copier 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, 2019:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 78,795	\$ 13,797	\$ 92,592
2021	82,973	9,619	92,592
2022	87,373	5,219	92,592
2023	<u>53,091</u>	<u>920</u>	<u>54,011</u>
Total	<u>\$ 302,232</u>	<u>\$ 29,555</u>	<u>\$ 331,787</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

6) CAPITAL LEASE, (continued)

Capital Lease Payable – Ricoh Copier Lease

In February 2019, the City entered into a capital lease with First American Commercial Bancorp, Inc. 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, 2019:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 18,970	\$ 14,272	\$ 33,242
2021	21,799	11,443	33,242
2022	25,049	8,193	33,242
2023	28,785	4,458	33,243
2024	15,964	657	16,621
Total	<u>\$ 110,567</u>	<u>\$ 39,023</u>	<u>\$ 149,590</u>

7) COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Funds	\$ 3,911,417	\$ 673,208	\$ (44,660)	\$ 4,539,965	\$ 907,993
Internal Service Funds	23,891	18,930	(1,256)	41,565	8,313
Business-Type Activities	69,331	19,360	(4,095)	84,596	16,919
	<u>\$ 4,004,639</u>	<u>\$ 711,498</u>	<u>\$ (50,011)</u>	<u>\$ 4,666,126</u>	<u>\$ 933,225</u>

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 liabilities. 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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

8) CLAIMS AND JUDGMENTS

The following is a summary of changes in claims and judgments for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Internal Service Funds:					
Claims and judgements	\$ 3,463,756	\$ 2,428,091	\$ (1,854,137)	\$ 4,037,710	\$ 807,542

As of June 30, 2019, 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, 2019, total estimated claims payable were \$4,037,710.

9) 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, 2019, the bonds outstanding from these Community Facility Districts totaled \$7,210,000.

On April 20, 2005, the District issued the 2004-1 (Fusion at South Bay) 2005 Special Tax Bonds totaling \$3,880,000 to acquire an easement and certain public facilities of benefit to the District. As of June 30, 2019, the bonds outstanding from this Community Facility District totaled \$3,000,000.

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, 2019, the bonds outstanding from this Community Facility District totaled \$11,525,000.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

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

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, 2019, the Special Tax Refunding Bonds outstanding totaled \$895,000.

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, 2019**

10) 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, 2019 are presented below:

	Governmental Activities	Business-Type Activities	Total
Net Investment in Capital Assets:			
Capital assets, net of accumulated depreciation	\$ 134,230,011	\$ 9,269,159	\$ 143,499,170
Less capital related debt balances:			
Bonds payable - 2016 Certificate of Participation Series A	(17,487,605)	-	(17,487,605)
Capital leases payable	(682,255)	-	(682,255)
Loans payable	(2,130,448)	-	(2,130,448)
Total Net Investment in Capital Assets	<u>113,929,703</u>	<u>9,269,159</u>	<u>123,198,862</u>
Restricted for:			
Public works	7,328,057	-	7,328,057
Public safety	908,793	-	908,793
Capital improvements	3,787,315	-	3,787,315
Debt service	2,287,599	-	2,287,599
Community development	7,686,125	-	7,686,125
Total Restricted	<u>21,997,889</u>	<u>-</u>	<u>21,997,889</u>
Unrestricted	<u>(195,983,739)</u>	<u>994,105</u>	<u>(194,989,634)</u>
Total	<u>\$ (60,056,147)</u>	<u>\$ 10,263,264</u>	<u>\$ (49,792,883)</u>

11) 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).

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

11) RETIREMENT PLANS, (continued)

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

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, 2017, 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, 2019**

11) 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, 2019, 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	10.425%	10.425%

	<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%	12.75%
Required employer contribution rates	22.346%	12.965%

Employees Covered

At June 30, 2017 (valuation date), the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	323	217
Inactive employees entitled to but not yet receiving benefits	290	60
Active employees	175	91
Total	<u>788</u>	<u>368</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

11) 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, 2019, were \$4,555,475.

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, 2019, were \$5,532,655. The actual employer payments of \$4,728,485 made to CalPERS by the City during the measurement period ended June 30, 2018 differed from the City's proportionate share of the employer's contributions of \$6,471,666 by \$1,743,181, 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, 2018, using an annual actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, 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, 2019**

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
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%
Mortality Rate Table ⁽²⁾	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until purchasing power protection allowance floor on purchasing power applies, 2.5% thereafter

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

(2) 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, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Long-term Expected Rate of Return

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+ 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.

The expected real rates of return by asset class are as follows:

Asset Class	Current Target Allocation	Real Return Years 1 - 10¹	Real Return Year 11+²
Global Equity	50.0%	4.80%	5.98%
Global Fixed income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)
Total	100%		

¹ An expected inflation of 2.0% used for this period

² An expected inflation of 2.92% used for this period

Change of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

11) 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, 2018, was 7.15 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.

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, 2019**

11) 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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2017 (VD)	\$ 194,733,797	\$ 140,810,423	\$ 53,923,374
Changes Recognized for the Measurement Period:			
• Service Cost	2,499,955	-	2,499,955
• Interest on the Total Pension Liability	13,468,820	-	13,468,820
• Changes of Benefit Terms	(888,445)	-	(888,445)
• Differences between Expected and Actual Experience	(1,608,731)	-	(1,608,731)
• Plan to Plan Resource Movement	-	(341)	341
• Contributions from the Employer	-	3,987,019	(3,987,019)
• Contributions from Employees	-	990,915	(990,915)
• Net Investment Income	-	11,595,557	(11,595,557)
• Benefit Payments, including Refunds of Employee Contributions	(10,222,978)	(10,222,978)	-
• Administrative Expense	-	(219,421)	219,421
• Other Miscellaneous Income/(Expense) ¹	-	(416,685)	416,685
Net Changes during 2017-18	3,248,621	5,714,066	(2,465,445)
Balance at: 6/30/2018 (MD)	\$ 197,982,418	\$ 146,524,489	\$ 51,457,929

¹ During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California’s agent OPEB plan, Accordingly, CalPERS recorded a one-time expense as a result of adoption of GASB 75.

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

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

11) 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: 6/30/2017 (MD)	\$ 209,225,691	\$ 148,481,519	\$ 60,744,172
Balance at: 6/30/2018 (MD)	215,072,114	153,405,850	61,666,264
Net Changes during 2017-18	5,846,423	4,924,331	922,092

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, 2018, 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, 2017, rolled forward to June 30, 2018, using standard update procedures. The City’s proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2017 and 2018, was as follows:

	<u>Safety</u>
Proportionate Share of NPL - June 30, 2017	1.01660%
Proportionate Share of NPL - June 30, 2018	<u>1.05097%</u>
Change - Increase	0.03437%

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

11) 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	\$ 77,042,843	\$ 51,457,929	\$ 30,322,875
Safety Plan's Net Pension Liability	\$ 91,315,333	\$ 61,666,264	\$ 37,374,161

Subsequent Events

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

Amortization of Deferred Outflows and Deferred Inflows of Resources

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, 2019**

11) RETIREMENT PLANS, (continued)

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

Amortization of Deferred Outflows and Deferred Inflows of Resources, (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, 2018, measurement date is 2.3 years, which was obtained by dividing the total service years of 1,817 (the sum of remaining service lifetimes of the active employees) by 788 (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, 2018, is 3.8 years, which was obtained by dividing the total service years of 516,147 (the sum of remaining service lifetimes of the active employees) by 135,474 (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, 2019

11) 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, 2017), the net pension liability is \$53,923,374. For the measurement period ending June 30, 2018 (the measurement date), the City incurred a pension expense of \$8,173,454 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,499,955
Interest on the Total Pension Liability	13,468,820
Recognized Changes of Assumptions	4,511,517
Differences Between Expected and Actual Experience	(1,714,435)
Plan to Plan Resource Movement	341
Contributions - Employees	(990,915)
Projected Earnings on Pension Plan Investments	(9,826,959)
Recognized Differences Between Projected and Actual Earnings on Plan Investments	(410,976)
Administrative Expenses	219,421
Other Miscellaneous (Income)/Expense	416,685
Total Pension Expense	\$ 8,173,454

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

As of the start of the measurement period (July 1, 2017), the net pension liability for the safety plans is \$60,744,172. For the measurement period ending June 30, 2018 (the measurement date), the City incurred a pension expense of \$8,373,852 for the safety plan.

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

11) RETIREMENT PLAN, (continued)

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

As of June 30, 2019, 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	\$ -	\$ (1,079,266)	\$ 1,325,000	\$ (5,026)
Changes of Assumptions	979,560	(502,165)	6,050,536	(816,326)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	740,797	-	417,509	-
Change in Employer's Proportion	-	-	1,017,804	(774,381)
Difference in Actual vs Projected Contributions	-	-	-	(2,018,077)
Pension Contributions Subsequent to Measurement Date	4,555,475	-	5,532,655	-
	<u>\$ 6,275,832</u>	<u>\$ (1,581,431)</u>	<u>\$ 14,343,504</u>	<u>\$ (3,613,810)</u>

These amounts above are net of outflows and inflows recognized in the 2017-18 measurement period expense. The \$4,555,475 and \$5,532,655 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, 2019	\$ 1,705,149	\$ 4,764,871
2020	182,048	2,609,907
2021	(1,394,553)	(1,750,607)
2022	(353,718)	(427,132)
2023	-	-
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, 2019.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

12) 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

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

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	275
Inactive employees or beneficiaries currently receiving benefits	260
Inactive employees entitled to, but not yet receiving benefits	<u>59</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 2018-2019, the City paid \$2,932,000 for other postemployment benefits.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018 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, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2018 Measurement Date
Actuarial Valuation Date	June 30, 2017
Contribution Policy	No pre-funding
Discount Rate	3.87%
General Inflation	2.75%
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, 2019**

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

Discount Rate

A discount rate of 3.87 percent was used in the valuation for measurement date June 30, 2018.

Changes in the OPEB Liability

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

	(a)	(b) Plan	(a) - (b) = (c)
	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2018 (6/30/17 measurement date)	<u>\$ 105,728,000</u>	<u>\$ -</u>	<u>\$ 105,728,000</u>
Changes recognized for the measurement period:			
Service cost	3,574,000	-	3,574,000
Interest	3,863,000	-	3,863,000
Changes of assumptions	(5,105,000)	-	(5,105,000)
Benefit payments	<u>(2,806,000)</u>	<u>-</u>	<u>(2,806,000)</u>
Net changes	<u>(474,000)</u>	<u>-</u>	<u>(474,000)</u>
Balance at June 30, 2019 (6/30/18 measurement date)	<u><u>\$ 105,254,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 105,254,000</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, 2018:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB Liability	\$ 124,544,000	\$ 105,254,000	\$ 90,150,000

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

12) 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, 2018:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 88,178,000	\$ 105,254,000	\$ 127,363,000

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, 2018 measurement date. The City does not have an assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

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, 2019, the City recognized OPEB expense of \$3,793,000. As of fiscal year ended June 30, 2019, 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	\$ -	\$ 12,965,000
Contributions to OPEB plan subsequent to the measurement date	2,932,000	-
Total	<u>\$ 2,932,000</u>	<u>\$ 12,965,000</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

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

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

The \$2,932,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. 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
2020	\$ (3,644,000)
2021	(3,644,000)
2022	(3,644,000)
2023	(1,743,000)
2024	(290,000)
Thereafter	-
	<u>\$ (12,965,000)</u>

13) 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 \$4,037,710 reported in the Insurance Reserve Fund at June 30, 2019, 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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

13) INSURANCE, (continued)

Changes in the Insurance Reserve Fund's claims liability amounts in the fiscal years 2019 and 2018, were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balances</u>
2017-2018	\$ 3,591,540	\$ 1,163,437	\$ (1,291,221)	\$ 3,463,756
2018-2019	3,463,756	2,428,091	(1,854,137)	4,037,710

14) 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.

15) 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 2018-2019, the City was assessed \$3,404,502, 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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

15) JOINT VENTURES, (continued)

As of and for the year ended June 30, 2019, 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, 2019**

16) 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, 2019</u>
Deferred outflows of resources	
Unamortized loss on defeasance of debt	<u>\$ 452,694</u>
	<u>Governmental Funds at June 30, 2019</u>
Deferred inflows of resources	
Unavailable Revenue - Receivables that were not received within the availability period and were not recognized as revenues	<u>\$ 361,023</u>

Refer to Note 11 for deferred outflows and inflows of resources related to pensions and Note 12 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, 2019

17) 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 debt for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Bonds payable - Direct placement					
Tax allocation bonds	\$ 27,790,000	\$ -	\$ (2,515,000)	\$ 25,275,000	\$ 1,415,000
Plus deferred amounts:					
Issuance premium	4,719,330	-	(248,386)	4,470,944	-
Total bonds payable	32,509,330	-	(2,763,386)	29,745,944	1,415,000
Notes payable - Direct borrowing	30,306,438	1,125,000	(570,000)	30,861,438	-
	<u>\$ 62,815,768</u>	<u>\$ 1,125,000</u>	<u>\$ (3,333,386)</u>	<u>\$ 60,607,382</u>	<u>\$ 1,415,000</u>

Tax Allocation Bonds

Hawthorne Plaza Project Area No. 1:

2001 Tax Allocation Refunding Bonds

The 2001 Tax Allocation Refunding Bonds bear interest ranging from 5.500% to 6.875% per annum and payable on March 1 and September 1. Principal payments ranging from \$295,000 to \$410,000 are due annually on September 1, beginning in the year 2003 through the year 2020. The bonds were fully paid during the fiscal year ending June 30, 2019.

Redevelopment Project Area 2:

2016 Tax Allocation Bonds

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

City of Hawthorne

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

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

Disclosure of Successor Agency Debts, (continued)

2016 Tax Allocation Bonds, (continued)

As of June 30, 2019, the bonds outstanding from this 2016 Tax Allocation Bonds totaled \$25,275,000.

The Successor Agency shall not submit a Last and Final ROPS without the prior written consent of Assured Guaranty Municipal Corp., or any successor thereto.

If an Event of Default has occurred under the Indenture and is continuing, the Trustee may, and, if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) the Trustee shall, subject to the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

The following schedule summarizes the debt service to maturity requirements for bonds outstanding as of June 30, 2019:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,725,000	914,875	2,639,875
2025 - 2029	6,040,000	3,541,500	9,581,500
2030 - 2034	6,595,000	2,056,875	8,651,875
2035 - 2037	<u>4,800,000</u>	<u>367,750</u>	<u>5,167,750</u>
Total	<u>\$ 25,275,000</u>	<u>\$ 11,343,375</u>	<u>\$ 36,618,375</u>

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

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

Note Payable

AutoNation/Costco Note – A first implementation agreement to a Disposition and Development Agreement (DDA) was entered with certain developers in August 2000, paying interest at 9.0%. The developers had advanced to the Agency \$5,500,000 and cancelled a note owed by the Agency (the Costco note) for approximately \$7,000,000. In return, the Agency executed a promissory note to the developers for \$12,500,000. Sources for repayment of this note consist of Mello-Roos tax refunds, sales tax and transient occupancy tax refunds to the extent these taxes are generated within the project site. As of June 30, 2019, the outstanding balance on this note totaled \$30,861,438.

The Agency pledged the Tax Increment to payment of the special taxes on the Refunding Bonds and repayment of the Agency Note pursuant to Health and Safety Code Sections 33641 and 33671.5 and other applicable provisions of law. The Tax Increment shall be subordinate to the Agency's obligations to make debt service payments on any Tax Allocation Bonds.

The Agency shall deposit or cause all Tax Increments to be deposited in a special fund administered by a trustee that shall be the fiscal agent for the Refunding Bonds.

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, 2019**

17) 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.

**Notes to Basic Financial Statements
For the Year Ended June 30, 2019**

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

Tax Abatements, (continued)

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).

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.

City of Hawthorne

Notes to Basic Financial Statements For the Year Ended June 30, 2019

18) OTHER REQUIRED DISCLOSURES

Deficit in Fund Equity

The following funds have deficits in fund balance or net position at June 30, 2019:

Fund	Amount
Major Governmental Funds:	
Hawthorne Housing Authority:	\$ (27,158)
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Gas Tax	(347,796)
ABC Grant Assistance Program	(1,526)
California Office of Traffic Safety	(35,966)
Local Law Enforcement Block Grant	(28,407)
MTA Measure M	(53,458)
Community Development Block Grant	(266,175)
Internal Service Fund:	
Insurance Reserve	(5,286,101)

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

19) SUBSEQUENT EVENT

On September 24, 2019, the City of Hawthorne issued 2019 Taxable Pension Obligation Bonds in the amount of \$121,865,000. The 2019 Bonds were placed with U.S. Bank National Association.

**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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 63,410,159	\$ 63,445,159	\$ 70,510,829	\$ 7,065,670
Licenses and permits	1,951,540	2,223,040	3,318,633	1,095,593
Intergovernmental	1,514,456	1,304,408	1,206,550	(97,858)
Charges for services	2,135,762	2,160,462	2,428,090	267,628
Fines and forfeitures	2,800,000	2,800,000	3,311,235	511,235
Use of money and property	20,000	80,000	307,250	227,250
Contributions	200,000	200,000	148,469	(51,531)
Miscellaneous	1,364,000	1,400,000	1,335,242	(64,758)
Total revenues	<u>73,395,917</u>	<u>73,613,069</u>	<u>82,566,298</u>	<u>8,953,229</u>
Expenditures				
Current:				
General government:				
Mayor and city council	4,630,889	4,662,889	5,509,578	(846,689)
City clerk	281,663	281,663	242,358	39,305
City manager	933,507	933,507	513,733	419,774
City treasurer	35,119	35,119	34,130	989
City attorney	628,330	628,330	423,095	205,235
Administrative services	2,208,114	2,206,114	5,308,035	(3,101,921)
Public safety:				
Police	40,353,298	40,357,109	39,161,543	1,195,566
Fire services contract	11,269,267	11,269,267	9,998,592	1,270,675
Community development:				
Planning	1,502,409	1,502,409	1,467,808	34,601
Building and safety	1,105,112	1,105,112	1,098,219	6,893
Parks and recreation	3,784,974	3,788,958	3,767,113	21,845
Public works	2,517,241	2,559,230	2,459,130	100,100
Capital outlay	331,064	333,149	243,571	89,578
Total expenditures	<u>69,580,987</u>	<u>69,662,856</u>	<u>70,226,905</u>	<u>(564,049)</u>
Excess of revenues over expenditures	<u>3,814,930</u>	<u>3,950,213</u>	<u>12,339,393</u>	<u>8,389,180</u>
Other Financing Sources (Uses)				
Transfers out	<u>(3,041,833)</u>	<u>(3,041,833)</u>	<u>(1,200,318)</u>	<u>1,841,515</u>
Total other financing sources (uses)	<u>(3,041,833)</u>	<u>(3,041,833)</u>	<u>(1,200,318)</u>	<u>1,841,515</u>
Net change in fund balance	773,097	908,380	11,139,075	10,230,695
Fund balance, beginning of year	<u>26,115,461</u>	<u>26,115,461</u>	<u>26,115,461</u>	<u>-</u>
Fund balance, end of year	<u>\$ 26,888,558</u>	<u>\$ 27,023,841</u>	<u>\$ 37,254,536</u>	<u>\$ 10,230,695</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,712,832	\$ 2,712,832	\$ 1,388,939	\$ (1,323,893)
Use of money and property	303,556	303,556	398,084	94,528
Total revenues	<u>3,016,388</u>	<u>3,016,388</u>	<u>1,787,023</u>	<u>(1,229,365)</u>
Expenditures				
Current:				
Community development	343,365	343,365	406,036	(62,671)
Total expenditures	<u>343,365</u>	<u>343,365</u>	<u>406,036</u>	<u>(62,671)</u>
Net change in fund balance	2,673,023	2,673,023	1,380,987	(1,292,036)
Fund balance, beginning	<u>5,671,737</u>	<u>5,671,737</u>	<u>5,671,737</u>	<u>-</u>
Fund balance, ending	<u>\$ 8,344,760</u>	<u>\$ 8,344,760</u>	<u>\$ 7,052,724</u>	<u>\$ (1,292,036)</u>

City of Hawthorne

**Budgetary Comparison Schedule
HOME Grant
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 708,179	\$ 708,179	\$ 114,046	\$ (594,133)
Use of money and property	-	-	107,729	107,729
Total revenues	<u>708,179</u>	<u>708,179</u>	<u>221,775</u>	<u>(486,404)</u>
Expenditures				
Current:				
Community development	<u>708,179</u>	<u>708,179</u>	<u>162,091</u>	<u>546,088</u>
Total expenditures	<u>708,179</u>	<u>708,179</u>	<u>162,091</u>	<u>546,088</u>
Net change in fund balance	-	-	59,684	59,684
Fund balance, beginning	<u>273,421</u>	<u>273,421</u>	<u>273,421</u>	<u>-</u>
Fund balance, ending	<u>\$ 273,421</u>	<u>\$ 273,421</u>	<u>\$ 333,105</u>	<u>\$ 59,684</u>

City of Hawthorne

**Budgetary Comparison Schedule
Hawthorne Housing Authority
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 9,955,854	\$ 9,955,854	\$ 9,846,000	\$ (109,854)
Use of money and property	-	-	11	11
Miscellaneous	50,000	50,000	22,194	(27,806)
Total revenues	<u>10,005,854</u>	<u>10,005,854</u>	<u>9,868,205</u>	<u>(137,649)</u>
Expenditures				
Current:				
Community development	<u>9,800,000</u>	<u>9,800,000</u>	<u>10,096,100</u>	<u>(296,100)</u>
Total expenditures	<u>9,800,000</u>	<u>9,800,000</u>	<u>10,096,100</u>	<u>(296,100)</u>
Net change in fund balance	205,854	205,854	(227,895)	(433,749)
Fund balance, beginning	<u>200,737</u>	<u>200,737</u>	<u>200,737</u>	<u>-</u>
Fund balance, ending	<u>\$ 406,591</u>	<u>\$ 406,591</u>	<u>\$ (27,158)</u>	<u>\$ (433,749)</u>

**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	Measurement Period 2015-16
TOTAL PENSION LIABILITY			
Service Cost	\$ 2,388,303	\$ 2,320,007	\$ 2,435,899
Interest	12,438,551	12,647,730	13,024,281
Difference Between Expected and Actual Experience	-	(3,637,760)	(990,439)
Changes of Assumptions	-	(3,045,664)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(8,546,377)</u>	<u>(8,707,272)</u>	<u>(9,518,736)</u>
Net Change in Total Pension Liability	6,280,477	(422,959)	4,951,005
Total Pension Liability - Beginning	168,926,377	175,206,854	174,783,895
Total Pension Liability - Ending (a)	<u>\$ 175,206,854</u>	<u>\$ 174,783,895</u>	<u>\$ 179,734,900</u>
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 2,197,052	\$ 2,628,948	\$ 2,956,754
Contributions - Employee	1,118,891	1,100,494	1,074,004
Net Investment Income	20,960,975	3,019,296	700,955
Benefit Payments, Including Refunds of Employee Contributions	(8,546,377)	(8,707,272)	(9,518,736)
Plan to Plan Resource Movement	-	(36,608)	-
Administrative Expenses	-	(154,341)	(83,347)
Other Miscellaneous Income/(Expense) ¹	-	-	-
Net Change in Fiduciary Net Position	15,730,541	(2,149,483)	(4,870,370)
Plan Fiduciary Net Position - Beginning²	123,176,915	138,907,456	136,757,973
Plan Fiduciary Net Position - Ending (b)	<u>\$ 138,907,456</u>	<u>\$ 136,757,973</u>	<u>\$ 131,887,603</u>
Plan Net Position Liability - Ending (a) - (b)	<u>\$ 36,299,398</u>	<u>\$ 38,025,922</u>	<u>\$ 47,847,297</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.28%	78.24%	73.38%
Covered Payroll	\$ 13,000,397	\$ 13,145,259	\$ 14,172,919
Plan Net Pension Liability as a Percentage of Covered Payroll	279.22%	289.27%	337.60%

*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

¹ During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

² Includes any beginning of year adjustment.

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, 2017 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 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was 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.

(continued)

Measurement Period 2016-17	Measurement Period 2017-18
\$ 2,423,798	\$ 2,499,955
13,232,559	13,468,820
(1,869,811)	(1,608,731)
10,775,154	(888,445)
(9,562,803)	(10,222,978)
14,998,897	3,248,621
179,734,900	194,733,797
\$ 194,733,797	\$ 197,982,418
\$ 3,304,427	\$ 3,987,019
973,001	990,915
14,402,918	11,595,557
(9,562,803)	(10,222,978)
-	(341)
(194,723)	(219,421)
-	(416,685)
8,922,820	5,714,066
131,887,603	140,810,423
\$ 140,810,423	\$ 146,524,489
\$ 53,923,374	\$ 51,457,929
72.31%	74.01%
\$ 12,670,141	\$ 12,808,459
425.59%	401.75%

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)	-	12,808,459	31.02%
6/30/2019	6/30/2018	4,555,475	(4,555,475)	-	10,933,588	41.66%

*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2017, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2015 Funding Valuation Report
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2015 Funding Valuation
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.15%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

City of Hawthorne

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

Safety Plan

<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 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%	70.97%
6/30/2018	1.05097%	61,666,264	10,129,496	608.78%	71.33%

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.

*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

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%
6/30/2019	6/30/2018	5,532,655	(5,532,655)	-	8,106,797	68.25%

*Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule:

Change in Benefit Terms: None

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was 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.

City of Hawthorne

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

Fiscal Year Measurement Period	2018-19	2017-18
	2017-18	2016-17
Total OPEB Liability		
Service cost	\$ 3,574,000	\$ 4,251,000
Interest	3,863,000	3,360,000
Changes of assumptions	(5,105,000)	(14,185,000)
Benefit payments	(2,806,000)	(2,713,000)
Net change in total OPEB liability	(474,000)	(9,287,000)
Total OPEB liability - beginning	105,728,000	115,015,000
Total OPEB liability - ending (a)	105,254,000	105,728,000
Plan Fiduciary Net Position		
Contributions – employer	2,806,000	2,713,000
Net investment income	-	-
Benefit payments	(2,806,000)	(2,713,000)
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	-	-
Net OPEB liability - ending (a) - (b)	\$ 105,254,000	\$ 105,728,000
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
Covered-employee payroll	\$ 25,246,508	\$ 24,186,000
Net OPEB liability as a percentage of covered-employee payroll	416.9%	437.1%

Notes to schedule:

The City does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

Significant changes in assumptions:

None.

**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.*

City of Hawthorne

Required Supplementary Information Schedule of OPEB Contributions Last Ten Years*

Fiscal Year Ended June 30	2018	2019
Statutorily Required Contributions	\$ 407,160	\$ 395,430
Contributions in relation to the statutorily required contributions	<u>(2,206,000)</u>	<u>(2,306,000)</u>
Contribution deficiency/(excess)	<u>\$ (1,798,840)</u>	<u>\$ (1,910,570)</u>
Covered-employee payroll	\$ 25,246,508	\$ 22,605,687
Contribution as a percentage of covered payroll	8.74%	10.20%

Notes to schedule:

The City does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

Significant changes in assumptions:

None.

**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.*

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 Homeless Prevention and Rapid Re-housing Program (HPRP) Special Revenue Fund.

City of Hawthorne

Notes to Required Supplementary Information June 30, 2019

Excess of Expenditures over Appropriations

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

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Major Governmental Fund			
General Fund:			
General government:			
Mayor and city council	\$ 4,662,889	\$ 5,509,578	\$ (846,689)
Administrative services	2,206,114	5,308,035	(3,101,921)
Housing Asset			
Community development	343,365	406,036	(62,671)
Hawthorne Housing Authority			
Community development	9,800,000	10,096,100	(296,100)
Nonmajor Governmental Funds			
Capital Projects Fund:			
Development Impact:			
Community development	804	24,292	(23,488)
Debt Service Funds:			
2016 Refunding Bonds:			
Interest and fiscal charges	493,850	902,797	(408,947)
2016 Direct Placement Lease Financing:			
General government	5,704	20,204	(14,500)

SUPPLEMENTARY INFORMATION

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

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 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.

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

Non-Major Governmental Funds, Continued)

Special Revenue Funds, (continued)

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 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 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 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.

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.

Non-Major Governmental Funds, Continued)

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, 2019**

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
ASSETS				
Cash and investments	\$ 143,044	\$ -	\$ 1,706,439	\$ 517,247
Cash with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	290,535	4,952	-
Taxes	10,942	-	7,856	-
Interest	169	-	2,281	-
Advances to other funds	-	-	78,569	-
Total assets	<u>\$ 154,155</u>	<u>\$ 290,535</u>	<u>\$ 1,800,097</u>	<u>\$ 517,247</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 102,300	\$ 42,030	\$ 27,966	\$ 21,604
Accrued liabilities	1,368	8,784	24,812	1,718
Deposits payable	-	-	-	-
Due to other funds	-	587,517	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>103,668</u>	<u>638,331</u>	<u>52,778</u>	<u>23,322</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficits):				
Restricted	50,487	-	1,747,319	493,925
Unassigned	-	(347,796)	-	-
Total fund balances	<u>50,487</u>	<u>(347,796)</u>	<u>1,747,319</u>	<u>493,925</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 154,155</u>	<u>\$ 290,535</u>	<u>\$ 1,800,097</u>	<u>\$ 517,247</u>

(continued)

Special Revenue Funds						
ABC Grant Assistance Program	COPS	California Office of Traffic Safety	Edward Byrne Memorial Justice Assistance Program	Local Law Enforcement Block Grant	MTA Measure R	
\$ -	\$ 414,245	\$ -	\$ 17	\$ -	\$ 1,326,947	
-	-	-	-	-	-	
-	-	57,236	-	38,811	-	
-	-	-	-	-	-	
-	623	-	-	-	2,215	
-	-	-	-	-	-	
<u>\$ -</u>	<u>\$ 414,868</u>	<u>\$ 57,236</u>	<u>\$ 17</u>	<u>\$ 38,811</u>	<u>\$ 1,329,162</u>	
\$ -	\$ -	\$ 3,632	\$ -	\$ -	\$ 46,934	
13	-	1,564	17	-	1,470	
-	-	-	-	-	-	
1,513	-	84,823	-	28,410	-	
-	-	-	-	-	-	
<u>1,526</u>	<u>-</u>	<u>90,019</u>	<u>17</u>	<u>28,410</u>	<u>48,404</u>	
-	-	3,183	-	38,808	-	
-	414,868	-	-	-	1,280,758	
<u>(1,526)</u>	<u>-</u>	<u>(35,966)</u>	<u>-</u>	<u>(28,407)</u>	<u>-</u>	
<u>(1,526)</u>	<u>414,868</u>	<u>(35,966)</u>	<u>-</u>	<u>(28,407)</u>	<u>1,280,758</u>	
<u>\$ -</u>	<u>\$ 414,868</u>	<u>\$ 57,236</u>	<u>\$ 17</u>	<u>\$ 38,811</u>	<u>\$ 1,329,162</u>	

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019**

	Special Revenue Funds			
	Proposition A	MTA Measure M	Proposition C	Air Quality
ASSETS				
Cash and investments	\$ 1,671,065	\$ 159,896	\$ 1,638,348	\$ 119,953
Cash with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	29,851
Taxes	-	-	-	-
Interest	2,474	136	2,395	163
Advances to other funds	-	-	-	-
Total assets	<u>\$ 1,673,539</u>	<u>\$ 160,032</u>	<u>\$ 1,640,743</u>	<u>\$ 149,967</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 309,816	\$ 210,155	\$ 120,001	\$ 200
Accrued liabilities	3,613	3,335	1,520	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>313,429</u>	<u>213,490</u>	<u>121,521</u>	<u>200</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficits):				
Restricted	1,360,110	-	1,519,222	149,767
Unassigned	-	(53,458)	-	-
Total fund balances	<u>1,360,110</u>	<u>(53,458)</u>	<u>1,519,222</u>	<u>149,767</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,673,539</u>	<u>\$ 160,032</u>	<u>\$ 1,640,743</u>	<u>\$ 149,967</u>

(continued)

Special Revenue Funds				
California Used Oil Recycling	California Beverage Container Recycling	2009 Street Improvements	Hawthorne Blvd Mobility Improvement Program	CATV Peg
\$ 150,492	\$ 150,306	\$ 1,515,187	\$ 219,770	\$ 259,772
-	-	-	-	-
-	-	-	-	28,859
-	-	-	-	-
212	213	2,382	420	-
-	-	-	-	-
<u>\$ 150,704</u>	<u>\$ 150,519</u>	<u>\$ 1,517,569</u>	<u>\$ 220,190</u>	<u>\$ 288,631</u>
\$ -	\$ -	\$ 532,908	\$ -	\$ -
175	349	13	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>175</u>	<u>349</u>	<u>532,921</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
150,529	150,170	984,648	220,190	288,631
-	-	-	-	-
<u>150,529</u>	<u>150,170</u>	<u>984,648</u>	<u>220,190</u>	<u>288,631</u>
<u>\$ 150,704</u>	<u>\$ 150,519</u>	<u>\$ 1,517,569</u>	<u>\$ 220,190</u>	<u>\$ 288,631</u>

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019**

	Special Revenue Funds		Capital Projects Fund
	Community Development Block Grant	HPRP Funds	Development Impact
ASSETS			
Cash and investments	\$ -	\$ 15,153	\$ 3,553,996
Cash with fiscal agents	-	-	-
Receivables:			
Accounts	109,852	-	-
Taxes	-	-	-
Interest	-	-	5,164
Advances to other funds	-	-	-
Total assets	<u>\$ 109,852</u>	<u>\$ 15,153</u>	<u>\$ 3,559,160</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 57,653	\$ -	\$ 60,476
Accrued liabilities	477	-	-
Deposits payable	17,897	-	-
Due to other funds	300,000	-	-
Advances from other funds	-	-	-
Total liabilities	<u>376,027</u>	<u>-</u>	<u>60,476</u>
Deferred Inflows of Resources:			
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits):			
Restricted	-	15,153	3,498,684
Unassigned	<u>(266,175)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(266,175)</u>	<u>15,153</u>	<u>3,498,684</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 109,852</u>	<u>\$ 15,153</u>	<u>\$ 3,559,160</u>

(continued)

Debt Service Funds			
Public Financing Authority	2016 Refunding Bonds	2016 Direct Placement Lease Financing	Total Nonmajor Governmental Funds
\$ 263,760	\$ 625,606	\$ 30,220	\$ 14,481,463
1,419,720	58	-	1,419,778
-	-	-	560,096
-	-	-	18,798
391	667	3	19,908
-	-	-	78,569
<u>\$ 1,683,871</u>	<u>\$ 626,331</u>	<u>\$ 30,223</u>	<u>\$ 16,578,612</u>
\$ -	-	\$ -	\$ 1,535,675
-	-	-	49,228
-	-	-	17,897
-	-	-	1,002,263
-	52,826	-	52,826
<u>-</u>	<u>52,826</u>	<u>-</u>	<u>2,657,889</u>
-	-	-	41,991
1,683,871	573,505	30,223	14,612,060
-	-	-	(733,328)
<u>1,683,871</u>	<u>573,505</u>	<u>30,223</u>	<u>13,878,732</u>
<u>\$ 1,683,871</u>	<u>\$ 626,331</u>	<u>\$ 30,223</u>	<u>\$ 16,578,612</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2019**

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
Revenues				
Taxes	\$ 572,722	\$ 3,326,827	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	151,000	100,109	93,715	-
Charges for services	-	-	194,644	-
Fines and forfeitures	-	-	-	930,174
Use of money and property	168	-	6,895	-
Contributions	-	-	-	490,583
Miscellaneous	-	-	197,901	-
Total revenues	<u>723,890</u>	<u>3,426,936</u>	<u>493,155</u>	<u>1,420,757</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	965,570
Public works	675,373	1,492,075	1,914,738	-
Community development	-	-	-	-
Capital outlay	-	-	-	286,182
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>675,373</u>	<u>1,492,075</u>	<u>1,914,738</u>	<u>1,251,752</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,517</u>	<u>1,934,861</u>	<u>(1,421,583)</u>	<u>169,005</u>
Other Financing Sources (Uses)				
Transfers in	-	-	1,750,000	-
Transfers out	-	(1,750,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,750,000)</u>	<u>1,750,000</u>	<u>-</u>
Net change in fund balances	48,517	184,861	328,417	169,005
Fund Balances (Deficit), Beginning	<u>1,970</u>	<u>(532,657)</u>	<u>1,418,902</u>	<u>324,920</u>
Fund Balances (Deficit), Ending	<u>\$ 50,487</u>	<u>\$ (347,796)</u>	<u>\$ 1,747,319</u>	<u>\$ 493,925</u>

(continued)

Special Revenue Funds					
ABC Grant Assistance Program	COPS	California Office of Traffic Safety	Edward Byrne Memorial Justice Assistance Program	Local Law Enforcement Block Grant	MTA Measure R
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	259,990	239,634	39,824	48,516	1,095,162
-	-	-	-	-	-
-	-	-	-	-	-
-	1,781	-	-	-	7,737
-	-	-	-	-	-
-	-	-	-	-	-
-	261,771	239,634	39,824	48,516	1,102,899
-	-	-	-	-	-
691	100,000	201,073	11,412	-	-
-	-	-	-	-	262,543
-	-	-	-	-	-
-	-	-	-	38,811	807,604
-	-	-	-	-	-
-	-	-	-	-	-
691	100,000	201,073	11,412	38,811	1,070,147
(691)	161,771	38,561	28,412	9,705	32,752
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(691)	161,771	38,561	28,412	9,705	32,752
(835)	253,097	(74,527)	(28,412)	(38,112)	1,248,006
\$ (1,526)	\$ 414,868	\$ (35,966)	\$ -	\$ (28,407)	\$ 1,280,758

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2019**

	Special Revenue Funds			
	Proposition A	MTA Measure M	Proposition C	Air Quality
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,759,911	1,233,797	1,459,797	115,142
Charges for services	8,370	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	7,428	151	7,187	450
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,775,709</u>	<u>1,233,948</u>	<u>1,466,984</u>	<u>115,592</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,350,461	1,121,565	1,175,889	-
Community development	-	-	-	104,197
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,350,461</u>	<u>1,121,565</u>	<u>1,175,889</u>	<u>104,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>425,248</u>	<u>112,383</u>	<u>291,095</u>	<u>11,395</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	425,248	112,383	291,095	11,395
Fund Balances (Deficit), Beginning	<u>934,862</u>	<u>(165,841)</u>	<u>1,228,127</u>	<u>138,372</u>
Fund Balances (Deficit), Ending	<u>\$ 1,360,110</u>	<u>\$ (53,458)</u>	<u>\$ 1,519,222</u>	<u>\$ 149,767</u>

(continued)

Special Revenue Funds				
California Used Oil Recycling	California Beverage Container Recycling	2009 Street Improvements	Hawthorne Blvd Mobility Improvement Program	CATV Peg
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	146,416
24,445	44,142	38,984	3,970,574	-
-	-	-	-	-
-	-	-	-	-
682	700	11,520	1,925	-
-	-	3,031,123	-	-
-	-	-	-	-
<u>25,127</u>	<u>44,842</u>	<u>3,081,627</u>	<u>3,972,499</u>	<u>146,416</u>
-	16,666	-	-	-
-	-	-	-	-
-	-	4,442,350	3,856,395	-
8,628	-	-	-	-
-	-	-	-	87,519
-	-	-	-	-
-	-	-	-	-
<u>8,628</u>	<u>16,666</u>	<u>4,442,350</u>	<u>3,856,395</u>	<u>87,519</u>
<u>16,499</u>	<u>28,176</u>	<u>(1,360,723)</u>	<u>116,104</u>	<u>58,897</u>
-	-	-	-	-
-	-	(158,800)	-	-
-	-	(158,800)	-	-
16,499	28,176	(1,519,523)	116,104	58,897
<u>134,030</u>	<u>121,994</u>	<u>2,504,171</u>	<u>104,086</u>	<u>229,734</u>
<u>\$ 150,529</u>	<u>\$ 150,170</u>	<u>\$ 984,648</u>	<u>\$ 220,190</u>	<u>\$ 288,631</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2019**

	Special Revenue Funds		Capital Projects
	Community	HPRP	Fund
	Development Block Grant	Funds	Development Impact
Revenues			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	656,897
Intergovernmental	674,462	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Use of money and property	51,075	-	18,395
Contributions	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>725,537</u>	<u>-</u>	<u>675,292</u>
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community development	439,725	-	24,292
Capital outlay	-	-	1,896,919
Debt service:			
Principal retirement	355,000	-	-
Interest and fiscal charges	52,591	-	-
Total expenditures	<u>847,316</u>	<u>-</u>	<u>1,921,211</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(121,779)</u>	<u>-</u>	<u>(1,245,919)</u>
Other Financing Sources (Uses)			
Transfers in	311,377	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>311,377</u>	<u>-</u>	<u>-</u>
Net change in fund balances	189,598	-	(1,245,919)
Fund Balances (Deficit), Beginning	<u>(455,773)</u>	<u>15,153</u>	<u>4,744,603</u>
Fund Balances (Deficit), Ending	<u>\$ (266,175)</u>	<u>\$ 15,153</u>	<u>\$ 3,498,684</u>

(continued)

Debt Service Funds			
Public Financing Authority	2016 Refunding Bonds	2016 Direct Placement Lease Financing	Total
\$ -	\$ -	\$ -	\$ 3,899,549
-	-	-	803,313
-	-	-	11,349,204
-	-	-	203,014
-	-	-	930,174
6,782	957	285	124,118
-	-	-	3,521,706
-	2,537,952	-	2,735,853
<u>6,782</u>	<u>2,538,909</u>	<u>285</u>	<u>23,566,931</u>
5,286	-	20,204	42,156
-	-	-	1,278,746
-	-	-	16,291,389
-	-	-	576,842
-	-	-	3,117,035
582,744	1,305,000	171,900	2,414,644
<u>123,125</u>	<u>902,797</u>	<u>64,104</u>	<u>1,142,617</u>
<u>711,155</u>	<u>2,207,797</u>	<u>256,208</u>	<u>24,863,429</u>
<u>(704,373)</u>	<u>331,112</u>	<u>(255,923)</u>	<u>(1,296,498)</u>
717,937	-	171,004	2,950,318
-	-	-	(1,908,800)
<u>717,937</u>	<u>-</u>	<u>171,004</u>	<u>1,041,518</u>
13,564	331,112	(84,919)	(254,980)
<u>1,670,307</u>	<u>242,393</u>	<u>115,142</u>	<u>14,133,712</u>
<u>\$ 1,683,871</u>	<u>\$ 573,505</u>	<u>\$ 30,223</u>	<u>\$ 13,878,732</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Street Lighting
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 575,000	\$ 575,000	\$ 572,722	\$ (2,278)
Intergovernmental	151,000	151,000	151,000	-
Use of money and property	-	-	168	168
Total revenues	<u>726,000</u>	<u>726,000</u>	<u>723,890</u>	<u>(2,110)</u>
Expenditures				
Current:				
Public works	<u>716,388</u>	<u>716,388</u>	<u>675,373</u>	<u>41,015</u>
Total expenditures	<u>716,388</u>	<u>716,388</u>	<u>675,373</u>	<u>41,015</u>
Net change in fund balance	9,612	9,612	48,517	38,905
Fund balance, beginning	<u>1,970</u>	<u>1,970</u>	<u>1,970</u>	<u>-</u>
Fund balance, ending	<u>\$ 11,582</u>	<u>\$ 11,582</u>	<u>\$ 50,487</u>	<u>\$ 38,905</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Gas Tax
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,493,499	\$ 3,493,499	\$ 3,326,827	\$ (166,672)
Intergovernmental	-	-	100,109	100,109
Total revenues	<u>3,493,499</u>	<u>3,493,499</u>	<u>3,426,936</u>	<u>(66,563)</u>
Expenditures				
Current:				
Public works	<u>1,595,247</u>	<u>1,595,247</u>	<u>1,492,075</u>	<u>103,172</u>
Total expenditures	<u>1,595,247</u>	<u>1,595,247</u>	<u>1,492,075</u>	<u>103,172</u>
Excess of revenues over expenditures	<u>1,898,252</u>	<u>1,898,252</u>	<u>1,934,861</u>	<u>36,609</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>(1,750,000)</u>	<u>-</u>
Net change in fund balance	148,252	148,252	184,861	36,609
Fund balance (deficit), beginning	<u>(532,657)</u>	<u>(532,657)</u>	<u>(532,657)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (384,405)</u>	<u>\$ (384,405)</u>	<u>\$ (347,796)</u>	<u>\$ 36,609</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Street
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 89,424	\$ 89,424	\$ 93,715	\$ 4,291
Charges for services	191,000	191,000	194,644	3,644
Use of money and property	2,000	2,000	6,895	4,895
Miscellaneous	170,000	170,000	197,901	27,901
Total revenues	<u>452,424</u>	<u>452,424</u>	<u>493,155</u>	<u>40,731</u>
Expenditures				
Current:				
Public works	<u>2,062,206</u>	<u>2,252,206</u>	<u>1,914,738</u>	<u>337,468</u>
Total expenditures	<u>2,062,206</u>	<u>2,252,206</u>	<u>1,914,738</u>	<u>337,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,609,782)</u>	<u>(1,799,782)</u>	<u>(1,421,583)</u>	<u>378,199</u>
Other financing sources				
Transfers in	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>-</u>
Total other financing sources	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>-</u>
Net change in fund balance	140,218	(49,782)	328,417	378,199
Fund balance, beginning	<u>1,418,902</u>	<u>1,418,902</u>	<u>1,418,902</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,559,120</u>	<u>\$ 1,369,120</u>	<u>\$ 1,747,319</u>	<u>\$ 378,199</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Asset Forfeiture
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 1,100,000	\$ 1,100,000	\$ 930,174	\$ (169,826)
Use of money and property	300	300	-	(300)
Contributions	1,585,830	1,585,830	490,583	(1,095,247)
Total revenues	<u>2,686,130</u>	<u>2,686,130</u>	<u>1,420,757</u>	<u>(1,265,373)</u>
Expenditures				
Current:				
Public safety	2,804,594	4,414,954	965,570	3,449,384
Capital outlay	350,000	350,000	286,182	63,818
Total expenditures	<u>3,154,594</u>	<u>4,764,954</u>	<u>1,251,752</u>	<u>3,513,202</u>
Net change in fund balance	(468,464)	(2,078,824)	169,005	2,247,829
Fund balance, beginning	<u>324,920</u>	<u>324,920</u>	<u>324,920</u>	<u>-</u>
Fund balance, ending	<u>\$ (143,544)</u>	<u>\$ (1,753,904)</u>	<u>\$ 493,925</u>	<u>\$ 2,247,829</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 49,850	\$ 49,850	\$ -	\$ (49,850)
Total revenues	49,850	49,850	-	(49,850)
Expenditures				
Current:				
Public Safety	49,850	49,850	691	49,159
Total expenditures	49,850	49,850	691	49,159
Net change in fund balance	-	-	(691)	(691)
Fund balance, beginning	(835)	(835)	(835)	-
Fund balance (deficit), ending	\$ (835)	\$ (835)	\$ (1,526)	\$ (691)

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
COPS
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 160,000	\$ 160,000	\$ 259,990	\$ 99,990
Use of money and property	400	400	1,781	1,381
Total revenues	<u>160,400</u>	<u>160,400</u>	<u>261,771</u>	<u>101,371</u>
Expenditures				
Current:				
Public safety	200,000	200,000	100,000	100,000
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balance	(39,600)	(39,600)	161,771	201,371
Fund balance, beginning	<u>253,097</u>	<u>253,097</u>	<u>253,097</u>	<u>-</u>
Fund balance, ending	<u>\$ 213,497</u>	<u>\$ 213,497</u>	<u>\$ 414,868</u>	<u>\$ 201,371</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, 2019**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 284,055	\$ 284,055	\$ 239,634	\$ (44,421)
Total revenues	<u>284,055</u>	<u>284,055</u>	<u>239,634</u>	<u>(44,421)</u>
Expenditures				
Current:				
Public safety	<u>236,377</u>	<u>270,958</u>	<u>201,073</u>	<u>69,885</u>
Total expenditures	<u>236,377</u>	<u>270,958</u>	<u>201,073</u>	<u>69,885</u>
Net change in fund balance	47,678	13,097	38,561	25,464
Fund balance (deficit), beginning	<u>(74,527)</u>	<u>(74,527)</u>	<u>(74,527)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (26,849)</u>	<u>\$ (61,430)</u>	<u>\$ (35,966)</u>	<u>\$ 25,464</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 16,922	\$ 39,824	\$ 22,902
Total revenues	-	16,922	39,824	22,902
Expenditures				
Current:				
Public safety	-	16,922	11,412	5,510
Total expenditures	-	16,922	11,412	5,510
Net change in fund balance	-	-	28,412	28,412
Fund balance (deficit), beginning	(28,412)	(28,412)	(28,412)	-
Fund balance (deficit), ending	\$ (28,412)	\$ (28,412)	\$ -	\$ 28,412

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, 2019**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 48,316	\$ 48,516	\$ 200
Total revenues	-	48,316	48,516	200
Expenditures				
Current:				
Capital outlay	-	48,346	38,811	9,535
Total expenditures	-	48,346	38,811	9,535
Net change in fund balance	-	(30)	9,705	9,735
Fund balance, beginning	(38,112)	(38,112)	(38,112)	-
Fund balance (deficit), ending	\$ (38,112)	\$ (38,142)	\$ (28,407)	\$ 9,735

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
MTA Measure R
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,067,422	\$ 1,067,422	\$ 1,095,162	\$ 27,740
Use of money and property	1,800	1,800	7,737	5,937
Total revenues	<u>1,069,222</u>	<u>1,069,222</u>	<u>1,102,899</u>	<u>33,677</u>
Expenditures				
Current:				
Public works	250,277	310,277	262,543	47,734
Capital outlay	809,000	809,000	807,604	1,396
Total expenditures	<u>1,059,277</u>	<u>1,119,277</u>	<u>1,070,147</u>	<u>49,130</u>
Net change in fund balance	9,945	(50,055)	32,752	82,807
Fund balance, beginning	<u>1,248,006</u>	<u>1,248,006</u>	<u>1,248,006</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,257,951</u>	<u>\$ 1,197,951</u>	<u>\$ 1,280,758</u>	<u>\$ 82,807</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Proposition A
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,715,787	\$ 1,715,787	\$ 1,759,911	\$ 44,124
Charges for services	11,500	11,500	8,370	(3,130)
Use of money and property	1,400	1,400	7,428	6,028
Total revenues	<u>1,728,687</u>	<u>1,728,687</u>	<u>1,775,709</u>	<u>47,022</u>
Expenditures				
Current:				
Public works	1,565,597	1,565,597	1,350,461	215,136
Total expenditures	<u>1,565,597</u>	<u>1,565,597</u>	<u>1,350,461</u>	<u>215,136</u>
Net change in fund balance	163,090	163,090	425,248	262,158
Fund balance, beginning	<u>934,862</u>	<u>934,862</u>	<u>934,862</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,097,952</u>	<u>\$ 1,097,952</u>	<u>\$ 1,360,110</u>	<u>\$ 262,158</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,209,720	\$ 1,209,720	\$ 1,233,797	\$ 24,077
Use of money and property	200	200	151	(49)
Total revenues	<u>1,209,920</u>	<u>1,209,920</u>	<u>1,233,948</u>	<u>24,028</u>
Expenditures				
Current:				
Public Works	<u>1,159,533</u>	<u>1,159,533</u>	<u>1,121,565</u>	<u>37,968</u>
Total expenditures	<u>1,159,533</u>	<u>1,159,533</u>	<u>1,121,565</u>	<u>37,968</u>
Net change in fund balance	50,387	50,387	112,383	61,996
Fund balance, beginning	<u>(165,841)</u>	<u>(165,841)</u>	<u>(165,841)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (115,454)</u>	<u>\$ (115,454)</u>	<u>\$ (53,458)</u>	<u>\$ 61,996</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Proposition C
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,423,200	\$ 1,423,200	\$ 1,459,797	\$ 36,597
Use of money and property	2,900	2,900	7,187	4,287
Total revenues	<u>1,426,100</u>	<u>1,426,100</u>	<u>1,466,984</u>	<u>40,884</u>
Expenditures				
Current:				
Public works	1,404,077	1,284,077	1,175,889	108,188
Capital outlay	-	120,000	-	120,000
Total expenditures	<u>1,404,077</u>	<u>1,404,077</u>	<u>1,175,889</u>	<u>228,188</u>
Net change in fund balance	22,023	22,023	291,095	269,072
Fund balance, beginning	<u>1,228,127</u>	<u>1,228,127</u>	<u>1,228,127</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,250,150</u>	<u>\$ 1,250,150</u>	<u>\$ 1,519,222</u>	<u>\$ 269,072</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Air Quality
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 115,142	\$ 15,142
Use of money and property	300	300	450	150
Total revenues	<u>100,300</u>	<u>100,300</u>	<u>115,592</u>	<u>15,292</u>
Expenditures				
Current:				
Community development	<u>296,840</u>	<u>106,840</u>	<u>104,197</u>	<u>2,643</u>
Total expenditures	<u>296,840</u>	<u>106,840</u>	<u>104,197</u>	<u>2,643</u>
Net change in fund balance	(196,540)	(6,540)	11,395	17,935
Fund balance, beginning	<u>138,372</u>	<u>138,372</u>	<u>138,372</u>	-
Fund balance, ending	<u>\$ (58,168)</u>	<u>\$ 131,832</u>	<u>\$ 149,767</u>	<u>\$ 17,935</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 24,445	\$ 2,445
Use of money and property	200	200	682	482
Total revenues	<u>22,200</u>	<u>22,200</u>	<u>25,127</u>	<u>2,927</u>
Expenditures				
Current:				
Community development	13,512	13,512	8,628	4,884
Total expenditures	<u>13,512</u>	<u>13,512</u>	<u>8,628</u>	<u>4,884</u>
Net change in fund balance	8,688	8,688	16,499	7,811
Fund balance, beginning	<u>134,030</u>	<u>134,030</u>	<u>134,030</u>	<u>-</u>
Fund balance, ending	<u>\$ 142,718</u>	<u>\$ 142,718</u>	<u>\$ 150,529</u>	<u>\$ 7,811</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 44,142	\$ 22,142
Use of money and property	200	200	700	500
Total revenues	<u>22,200</u>	<u>22,200</u>	<u>44,842</u>	<u>22,642</u>
Expenditures				
Current:				
General government	<u>19,859</u>	<u>19,859</u>	<u>16,666</u>	<u>3,193</u>
Total expenditures	<u>19,859</u>	<u>19,859</u>	<u>16,666</u>	<u>3,193</u>
Net change in fund balance	2,341	2,341	28,176	25,835
Fund balance, beginning	<u>121,994</u>	<u>121,994</u>	<u>121,994</u>	<u>-</u>
Fund balance, ending	<u>\$ 124,335</u>	<u>\$ 124,335</u>	<u>\$ 150,170</u>	<u>\$ 25,835</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 320,000	\$ 320,000	\$ 38,984	\$ (281,016)
Use of money and property	2,000	2,000	11,520	9,520
Contributions	6,700,000	6,700,000	3,031,123	(3,668,877)
Miscellaneous	300,000	300,000	-	(300,000)
Total revenues	<u>7,322,000</u>	<u>7,322,000</u>	<u>3,081,627</u>	<u>(4,240,373)</u>
Expenditures				
Current:				
Public works	9,320,896	9,320,896	4,442,350	4,878,546
Total expenditures	<u>9,320,896</u>	<u>9,320,896</u>	<u>4,442,350</u>	<u>4,878,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,998,896)</u>	<u>(1,998,896)</u>	<u>(1,360,723)</u>	<u>(638,173)</u>
Other Financing Sources (Uses)				
Transfers out	(158,800)	(158,800)	(158,800)	-
Total other financing sources (uses)	<u>(158,800)</u>	<u>(158,800)</u>	<u>(158,800)</u>	<u>-</u>
Net change in fund balance	(2,157,696)	(2,157,696)	(1,519,523)	638,173
Fund balance, beginning	<u>2,504,171</u>	<u>2,504,171</u>	<u>2,504,171</u>	<u>-</u>
Fund balance, ending	<u>\$ 346,475</u>	<u>\$ 346,475</u>	<u>\$ 984,648</u>	<u>\$ 638,173</u>

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 4,200,000	\$ 4,200,000	\$ 3,970,574	\$ (229,426)
Use of money and property	-	-	1,925	1,925
Total revenues	<u>4,200,000</u>	<u>4,200,000</u>	<u>3,972,499</u>	<u>(227,501)</u>
Expenditures				
Current:				
Public works	<u>4,200,000</u>	<u>4,200,000</u>	<u>3,856,395</u>	<u>343,605</u>
Total expenditures	<u>4,200,000</u>	<u>4,200,000</u>	<u>3,856,395</u>	<u>343,605</u>
Net change in fund balance	-	-	116,104	116,104
Fund balance, beginning	<u>104,086</u>	<u>104,086</u>	<u>104,086</u>	-
Fund balance, ending	<u>\$ 104,086</u>	<u>\$ 104,086</u>	<u>\$ 220,190</u>	<u>\$ 116,104</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
CATV Peg
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 100,000	\$ 100,000	\$ 146,416	\$ 46,416
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>146,416</u>	<u>46,416</u>
Expenditures				
Capital outlay	110,000	165,031	87,519	77,512
Total expenditures	<u>110,000</u>	<u>165,031</u>	<u>87,519</u>	<u>77,512</u>
Net change in fund balance	(10,000)	(65,031)	58,897	123,928
Fund balance, beginning	<u>229,734</u>	<u>229,734</u>	<u>229,734</u>	<u>-</u>
Fund balance, ending	<u>\$ 219,734</u>	<u>\$ 164,703</u>	<u>\$ 288,631</u>	<u>\$ 123,928</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,744,040	\$ 1,744,040	\$ 674,462	\$ (1,069,578)
Use of money and property	-	-	51,075	51,075
Total revenues	<u>1,744,040</u>	<u>1,744,040</u>	<u>725,537</u>	<u>(1,018,503)</u>
Expenditures				
Current:				
Community development	1,330,864	1,330,864	439,725	891,139
Debt service:				
Principal retirement	355,000	355,000	355,000	-
Interest and fiscal charges	58,176	58,176	52,591	5,585
Total expenditures	<u>1,744,040</u>	<u>1,744,040</u>	<u>847,316</u>	<u>896,724</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(121,779)</u>	<u>(121,779)</u>
Other Financing Sources				
Transfers in	<u>-</u>	<u>-</u>	<u>311,377</u>	<u>311,377</u>
Net change in fund balance	-	-	189,598	189,598
Fund balance (deficit), beginning	<u>(455,773)</u>	<u>(455,773)</u>	<u>(455,773)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (455,773)</u>	<u>\$ (455,773)</u>	<u>\$ (266,175)</u>	<u>\$ 189,598</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Development Impact
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 200,000	\$ 500,000	\$ 656,897	\$ 156,897
Use of money and property	7,000	7,000	18,395	11,395
Total revenues	<u>207,000</u>	<u>507,000</u>	<u>675,292</u>	<u>168,292</u>
Expenditures				
Current:				
Community development	804	804	24,292	(23,488)
Capital outlay	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,896,919</u>	<u>103,081</u>
Total expenditures	<u>2,000,804</u>	<u>2,000,804</u>	<u>1,921,211</u>	<u>79,593</u>
Net change in fund balance	(1,793,804)	(1,493,804)	(1,245,919)	247,885
Fund balance, beginning	<u>4,744,603</u>	<u>4,744,603</u>	<u>4,744,603</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,950,799</u>	<u>\$ 3,250,799</u>	<u>\$ 3,498,684</u>	<u>\$ 247,885</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 1,000	\$ 1,000	\$ 6,782	\$ 5,782
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>6,782</u>	<u>5,782</u>
Expenditures				
Current:				
General government	9,404	9,404	5,286	4,118
Debt service:				
Principal retirement	582,744	582,744	582,744	-
Interest and fiscal charges	188,085	188,085	123,125	64,960
Total expenditures	<u>780,233</u>	<u>780,233</u>	<u>711,155</u>	<u>69,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(779,233)</u>	<u>(779,233)</u>	<u>(704,373)</u>	<u>74,860</u>
Other Financing Sources				
Transfers in	770,829	770,829	717,937	(52,892)
Total other financing sources	<u>770,829</u>	<u>770,829</u>	<u>717,937</u>	<u>(52,892)</u>
Net change in fund balance	(8,404)	(8,404)	13,564	21,968
Fund balance, beginning	<u>1,670,307</u>	<u>1,670,307</u>	<u>1,670,307</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,661,903</u>	<u>\$ 1,661,903</u>	<u>\$ 1,683,871</u>	<u>\$ 21,968</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 200	\$ 200	\$ 957	\$ 757
Miscellaneous	2,581,851	2,581,851	2,537,952	(43,899)
Total revenues	<u>2,582,051</u>	<u>2,582,051</u>	<u>2,538,909</u>	<u>(43,142)</u>
Expenditures				
Debt service:				
Principal retirement	1,759,948	1,759,948	1,305,000	454,948
Interest and fiscal charges	493,850	493,850	902,797	(408,947)
Total expenditures	<u>2,253,798</u>	<u>2,253,798</u>	<u>2,207,797</u>	<u>46,001</u>
Net change in fund balance	328,253	328,253	331,112	2,859
Fund balance, beginning	<u>242,393</u>	<u>242,393</u>	<u>242,393</u>	<u>-</u>
Fund balance, ending	<u>\$ 570,646</u>	<u>\$ 570,646</u>	<u>\$ 573,505</u>	<u>\$ 2,859</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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 300	\$ 300	\$ 285	\$ (15)
Total revenues	<u>300</u>	<u>300</u>	<u>285</u>	<u>(15)</u>
Expenditures				
Current:				
General government	5,704	5,704	20,204	(14,500)
Debt service:				
Principal retirement	171,900	171,900	171,900	-
Interest and fiscal charges	64,104	64,104	64,104	-
Total expenditures	<u>241,708</u>	<u>241,708</u>	<u>256,208</u>	<u>(14,500)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(241,408)</u>	<u>(241,408)</u>	<u>(255,923)</u>	<u>(14,515)</u>
Other Financing Sources				
Transfers in	<u>171,004</u>	<u>171,004</u>	<u>171,004</u>	<u>-</u>
Total other financing sources	<u>171,004</u>	<u>171,004</u>	<u>171,004</u>	<u>-</u>
Net change in fund balance	(70,404)	(70,404)	(84,919)	(14,515)
Fund balance, beginning	<u>115,142</u>	<u>115,142</u>	<u>115,142</u>	<u>-</u>
Fund balance, ending	<u>\$ 44,738</u>	<u>\$ 44,738</u>	<u>\$ 30,223</u>	<u>\$ (14,515)</u>

City of Hawthorne

**Combining Statement of Net Position
Internal Service Funds
June 30, 2019**

ASSETS	Equipment Replacement	Insurance Reserve	Total
Current Assets:			
Cash and investments	\$ 1,508,641	\$ -	\$ 1,508,641
Receivables:			
Accounts	-	3,488	3,488
Advances to other funds	310,000	-	310,000
Inventories	14,311	-	14,311
Total current assets	<u>1,832,952</u>	<u>3,488</u>	<u>1,836,440</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,894,761	-	1,894,761
Total noncurrent assets	<u>1,894,761</u>	<u>-</u>	<u>1,894,761</u>
Total assets	<u>3,727,713</u>	<u>3,488</u>	<u>3,731,201</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	<u>121,004</u>	<u>146,493</u>	<u>267,497</u>
LIABILITIES			
Current liabilities:			
Accounts payable	95,199	93,922	189,121
Compensated absences	8,313	-	8,313
Advances from other funds	-	66,380	66,380
Claims and judgements	-	807,542	807,542
Capital lease	78,795	-	78,795
Total current liabilities	<u>182,307</u>	<u>967,844</u>	<u>1,150,151</u>
Noncurrent liabilities:			
Compensated absences	33,252	-	33,252
Claims and judgements	-	3,230,168	3,230,168
Net pension liability	992,159	1,201,155	2,193,314
Capital lease	223,437	-	223,437
Total noncurrent liabilities	<u>1,248,848</u>	<u>4,431,323</u>	<u>5,680,171</u>
Total liabilities	<u>1,431,155</u>	<u>5,399,167</u>	<u>6,830,322</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	<u>30,491</u>	<u>36,915</u>	<u>67,406</u>
NET POSITION			
Net investment in capital assets	1,894,761	-	1,894,761
Unrestricted	492,310	(5,286,101)	(4,793,791)
Total net position	<u>\$ 2,387,071</u>	<u>\$ (5,286,101)</u>	<u>\$ (2,899,030)</u>

City of Hawthorne

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2019**

	<u>Equipment Replacement</u>	<u>Insurance Reserve</u>	<u>Total</u>
OPERATING REVENUES			
Sales and service charges	<u>\$ 2,144,556</u>	<u>\$ 5,015,575</u>	<u>\$ 7,160,131</u>
Total operating revenues	<u>2,144,556</u>	<u>5,015,575</u>	<u>7,160,131</u>
OPERATING EXPENSES			
Administration and general	1,373,966	715,448	2,089,414
Materials and supplies	383,933	-	383,933
Contractual services	53,463	5,004,298	5,057,761
Depreciation	<u>223,088</u>	<u>-</u>	<u>223,088</u>
Total operating expenses	<u>2,034,450</u>	<u>5,719,746</u>	<u>7,754,196</u>
Income (loss) before transfers	110,106	(704,171)	(594,065)
Transfers in	<u>158,800</u>	<u>-</u>	<u>158,800</u>
Change in net position	268,906	(704,171)	(435,265)
NET POSITION			
Net position (deficit), beginning	<u>2,118,165</u>	<u>(4,581,930)</u>	<u>(2,463,765)</u>
Net position (deficit), ending	<u>\$ 2,387,071</u>	<u>\$ (5,286,101)</u>	<u>\$ (2,899,030)</u>

City of Hawthorne

Combining Statement of Cash Flows Internal Service Funds For the Year Ended June 30, 2019

	Equipment Replacement	Insurance Reserve	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 2,151,987	\$ 5,012,336	\$ 7,164,323
Cash paid to suppliers for goods and services	(1,446,792)	(4,703,889)	(6,150,681)
Cash paid to employees for services	(132,073)	(275,257)	(407,330)
Net cash provided by operating activities	<u>573,122</u>	<u>33,190</u>	<u>606,312</u>
Cash flows from noncapital financing activities			
Cash paid to other funds	-	(33,190)	(33,190)
Transfer from general fund	158,800	-	158,800
Net cash provided by (used for) noncapital financing activities	<u>158,800</u>	<u>(33,190)</u>	<u>125,610</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(383,306)	-	(383,306)
Net cash used for capital and related financing activities	<u>(383,306)</u>	<u>-</u>	<u>(383,306)</u>
Net increase in cash and cash equivalents	348,616	-	348,616
Cash and cash equivalents, beginning of year	<u>1,160,025</u>	<u>-</u>	<u>1,160,025</u>
Cash and cash equivalents, end of year	<u>\$ 1,508,641</u>	<u>\$ -</u>	<u>\$ 1,508,641</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 110,106	\$ (704,171)	\$ (594,065)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	223,088	-	223,088
(Increase) decrease in operating assets:			
Accounts receivable	7,431	(3,239)	4,192
Deferred outflows of resources	295,824	283,250	579,074
Increase (decrease) in operating liabilities:			
Accounts payable	(41,283)	13,874	(27,409)
Claims and judgements payable	-	573,954	573,954
Compensated absences	17,674	-	17,674
Net pension liability	(49,000)	(130,256)	(179,256)
Deferred inflows of resources	9,282	(222)	9,060
Total adjustments	<u>463,016</u>	<u>737,361</u>	<u>1,200,377</u>
Net cash provided by operating activities	<u>\$ 573,122</u>	<u>\$ 33,190</u>	<u>\$ 606,312</u>
Schedule of Noncash investing, capital and related financing activities			
Lease of asset	\$ 302,232	\$ -	\$ 302,232

City of Hawthorne

**Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2019**

	Community Facilities Districts	City Agency	Total
Assets			
Cash and investments	\$ 709,060	\$ 2,828,290	\$ 3,537,350
Receivables:			
Taxes	22,705	-	22,705
Interest	1,693	-	1,693
Accounts, net	-	1,686	1,686
Restricted assets:			
Cash and investments with fiscal agents	5,535,096	-	5,535,096
Total assets	<u>\$ 6,268,554</u>	<u>\$ 2,829,976</u>	<u>\$ 9,098,530</u>
Liabilities			
Accounts payable	\$ 7,689	\$ 70,289	\$ 77,978
Accrued liabilities	621,000	-	621,000
Deposits payable	-	2,759,687	2,759,687
Due to bondholders	5,639,865	-	5,639,865
Total liabilities	<u>\$ 6,268,554</u>	<u>\$ 2,829,976</u>	<u>\$ 9,098,530</u>

City of Hawthorne

Combining Statement of Changes in Assets and Liabilities All Agency Funds For the Year Ended June 30, 2019

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
<u>Community Facilities Districts</u>				
Assets				
Cash and investments	\$ 42,116	\$ 4,921,764	\$ 4,254,820	\$ 709,060
Taxes receivable	29,124	22,705	29,124	22,705
Interest receivable	1,247	1,693	1,247	1,693
Restricted assets:				
Cash and investments with fiscal agents	4,703,961	5,841,788	5,010,653	5,535,096
Total Assets	\$ 4,776,448	\$ 10,787,950	\$ 9,295,844	\$ 6,268,554
Liabilities				
Accounts payable	\$ 12,077	\$ 80,575	\$ 84,963	\$ 7,689
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	4,143,371	5,785,113	4,288,619	5,639,865
Total Liabilities	\$ 4,776,448	\$ 5,865,688	\$ 4,373,582	\$ 6,268,554
<u>City Agency</u>				
Assets				
Cash and investments	\$ 2,739,594	\$ 6,935,537	\$ 6,846,841	\$ 2,828,290
Accounts receivable, net	1,598	1,686	1,598	1,686
Total Assets	\$ 2,741,192	\$ 6,937,223	\$ 6,848,439	\$ 2,829,976
Liabilities				
Accounts payable	\$ 10,047	\$ 1,582,466	\$ 1,522,224	\$ 70,289
Deposits payable	2,731,145	6,902,956	6,874,414	2,759,687
Total Liabilities	\$ 2,741,192	\$ 8,485,422	\$ 8,396,638	\$ 2,829,976
<u>Combined Agency Funds</u>				
Assets				
Cash and investments	\$ 2,781,710	\$ 11,857,301	\$ 11,101,661	\$ 3,537,350
Accounts receivable, net	1,598	1,686	1,598	1,686
Taxes receivable	29,124	22,705	29,124	22,705
Interest receivable	1,247	1,693	1,247	1,693
Restricted assets:				
Cash and investments with fiscal agents	4,703,961	5,841,788	5,010,653	5,535,096
Total Assets	\$ 7,517,640	\$ 17,725,173	\$ 16,144,283	\$ 9,098,530
Liabilities				
Accounts payable	\$ 22,124	\$ 1,663,041	\$ 1,607,187	\$ 77,978
Accrued liabilities	621,000	-	-	621,000
Deposits payable	2,731,145	6,902,956	6,874,414	2,759,687
Due to bondholders	4,143,371	5,785,113	4,288,619	5,639,865
Total Liabilities	\$ 7,517,640	\$ 14,351,110	\$ 12,770,220	\$ 9,098,530

STATISTICAL SECTION

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Statistical Section

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

CONTENTS	Page
Financial Trends	153
<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	163
<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	168
<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	175
<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	178
<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			
	2010	2011	2012	2013
Governmental Activities:				
Net investment in capital assets	\$ 41,657,641	\$ 46,716,073	\$ 49,953,731	\$ 47,629,536
Restricted for:				
Community development	3,323,796	15,074,542	13,337,436	23,633,197
Public Safety	724,352	129,753	197,710	238,528
Public Works	-	-	-	-
Capital Projects	5,955,329	8,456,744	2,608,932	2,633,641
Debt Service	4,713,060	1,273,778	550,756	1,765,455
Unrestricted	(11,361,593)	(23,069,320)	48,281,467	37,773,141
Total governmental activities net position	<u>\$ 45,012,585</u>	<u>\$ 48,581,570</u>	<u>\$ 114,930,032</u>	<u>\$ 113,673,498</u>
Business-type activities:				
Net investment in capital assets	\$ 11,476,850	\$ 11,100,190	\$ 10,727,192	\$ 10,495,271
Unrestricted	(1,598,865)	(1,643,921)	(645,594)	334,901
Total business-type activities net position	<u>\$ 9,877,985</u>	<u>\$ 9,456,269</u>	<u>\$ 10,081,598</u>	<u>\$ 10,830,172</u>
Primary Government:				
Net investment in capital assets	\$ 53,134,491	\$ 57,816,263	\$ 60,680,923	\$ 58,124,807
Restricted for:				
Community development	3,323,796	15,074,542	13,337,436	23,633,197
Public Safety	724,352	129,753	197,710	238,528
Public Works	-	-	-	-
Capital Projects	5,955,329	8,456,744	2,608,932	2,633,641
Debt Service	4,713,060	1,273,778	550,756	1,765,455
Unrestricted	(12,960,458)	(24,713,241)	47,635,873	38,108,042
Total primary government net position	<u>\$ 54,890,570</u>	<u>\$ 58,037,839</u>	<u>\$ 125,011,630</u>	<u>\$ 124,503,670</u>

(continued)

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 88,248,555	\$ 98,764,480	\$ 98,816,219	\$ 104,229,572	\$ 105,088,517	\$ 113,929,703
24,107,637	6,983,229	3,211,422	4,086,416	6,417,462	7,686,125
154,050	205,942	293,845	1,400,432	539,905	908,793
-	-	5,821,832	6,174,648	6,772,717	7,328,057
3,459,998	4,028,388	4,428,834	4,243,801	4,974,337	3,787,315
1,746,659	1,751,788	1,989,372	1,776,572	1,785,449	2,287,599
2,718,192	(100,463,431)	(104,694,912)	(114,897,815)	(199,077,160)	(195,983,739)
<u>\$ 120,435,091</u>	<u>\$ 11,270,396</u>	<u>\$ 9,866,612</u>	<u>\$ 7,013,626</u>	<u>\$ (73,498,773)</u>	<u>\$ (60,056,147)</u>
\$ 10,883,092	\$ 10,761,597	\$ 10,443,914	\$ 10,034,549	\$ 9,657,296	\$ 9,269,159
1,060,109	(446,027)	770,871	1,479,009	863,905	994,105
<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>	<u>\$ 10,263,264</u>
\$ 99,131,647	\$ 109,526,077	\$ 109,260,133	\$ 114,153,991	\$ 114,745,813	\$ 123,198,862
24,107,637	6,983,229	3,211,422	4,086,416	6,417,462	7,686,125
154,050	205,942	293,845	1,400,432	539,905	908,793
-	-	5,821,832	6,174,648	6,772,717	7,328,057
3,459,998	4,028,388	4,428,834	4,243,801	4,974,337	3,787,315
1,746,659	1,751,788	1,989,372	1,776,572	1,785,449	2,287,599
3,778,301	(100,909,458)	(103,924,041)	(113,418,806)	(198,213,255)	(194,989,634)
<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>	<u>\$ (49,792,883)</u>

City of Hawthorne

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

	Fiscal Year			
	2010	2011	2012	2013
Expenses:				
Governmental Activities:				
General government	\$ 17,791,458	\$ 13,528,644	\$ 6,382,008	\$ 7,750,941
Public safety	37,004,973	38,762,602	39,196,784	41,129,544
Community development	117,997,385	102,613,415	31,862,859	20,364,753
Parks and recreation	1,741,604	1,621,402	1,714,451	1,687,789
Public works	12,126,842	13,128,404	12,085,246	13,134,894
Interest on long-term debt	6,348,733	6,355,253	5,886,728	2,297,756
Total governmental activities expenses	<u>193,010,995</u>	<u>176,009,720</u>	<u>97,128,076</u>	<u>86,365,677</u>
Business-type activities:				
Airport	928,693	887,718	1,013,603	981,673
Sewer and storm drain	950,602	805,277	805,749	881,843
Total business-type activities expenses	<u>1,879,295</u>	<u>1,692,995</u>	<u>1,819,352</u>	<u>1,863,516</u>
Total primary government expenses	<u>194,890,290</u>	<u>177,702,715</u>	<u>98,947,428</u>	<u>88,229,193</u>
Program Revenues:				
Governmental Activities:				
General government	6,511,547	7,641,310	9,450,117	7,388,347
Public safety	5,489,825	4,840,868	4,715,985	5,273,480
Community development	93,457,240	100,419,432	38,342,370	17,592,931
Parks and recreation	698,277	693,891	772,912	787,003
Public works	8,990,453	11,167,336	9,908,895	8,115,365
Total governmental activities program revenues	<u>115,147,342</u>	<u>124,762,837</u>	<u>63,190,279</u>	<u>39,157,126</u>
Business-type activities:				
Airport	238,734	585,975	875,314	977,941
Sewer and storm drain	1,100,512	1,246,078	1,569,367	1,634,149
Total business-type activities program revenues	<u>1,339,246</u>	<u>1,832,053</u>	<u>2,444,681</u>	<u>2,612,090</u>
Total primary government program revenues	<u>116,486,588</u>	<u>126,594,890</u>	<u>65,634,960</u>	<u>41,769,216</u>
Net (expenses) revenues:				
Governmental activities	(77,863,653)	(51,246,883)	(33,937,797)	(47,208,551)
Business-type activities	<u>(540,049)</u>	<u>139,058</u>	<u>625,329</u>	<u>748,574</u>
Total primary government net (expenses)/revenues	<u>(78,403,702)</u>	<u>(51,107,825)</u>	<u>(33,312,468)</u>	<u>(46,459,977)</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					
2014	2015	2016	2017	2018	2019
\$ 7,768,606	\$ 9,677,945	\$ 9,959,013	\$ 11,094,220	\$ 14,701,855	\$ 14,732,354
43,840,245	48,115,574	47,961,278	54,633,003	54,381,340	54,981,502
14,003,502	15,380,435	11,948,791	12,849,025	15,498,320	14,471,029
2,019,805	2,097,720	3,539,851	3,827,432	4,521,785	4,365,183
14,077,746	14,921,503	10,020,953	12,051,189	10,335,197	13,563,064
2,189,013	2,084,801	2,862,959	918,037	1,348,742	1,003,660
<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>	<u>103,116,792</u>
901,405	949,809	931,989	1,131,440	1,230,891	1,745,924
1,126,983	1,581,953	838,433	933,015	2,342,547	884,469
<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>	<u>2,630,393</u>
<u>85,927,305</u>	<u>94,809,740</u>	<u>88,063,267</u>	<u>97,437,361</u>	<u>104,360,677</u>	<u>105,747,185</u>
10,358,083	9,966,590	11,770,484	11,224,984	11,003,976	11,202,311
6,310,867	5,595,120	9,250,179	5,460,890	5,673,185	6,089,974
19,140,595	21,395,006	7,923,370	12,460,275	13,194,352	14,155,829
801,753	785,977	663,082	642,713	709,246	637,610
6,982,951	7,104,305	4,682,406	9,318,132	6,181,485	13,830,239
<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>	<u>45,915,963</u>
1,456,803	919,129	860,162	908,988	1,009,726	882,878
1,684,614	1,648,704	1,459,572	1,448,366	1,559,160	1,482,507
<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>	<u>2,365,385</u>
<u>46,735,666</u>	<u>47,414,831</u>	<u>36,609,255</u>	<u>41,464,348</u>	<u>39,331,130</u>	<u>48,281,348</u>
(40,304,668)	(47,430,980)	(52,003,324)	(56,265,912)	(64,024,995)	(57,200,829)
1,113,029	36,071	549,312	292,899	(1,004,552)	(265,008)
<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>	<u>(57,465,837)</u>

City of Hawthorne

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

	Fiscal Year			
	2010	2011	2012	2013
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 24,583,033	\$ 25,832,453	\$ 14,499,970	\$ 15,011,710
Sales taxes	10,187,490	10,983,038	11,907,391	12,928,878
Transient occupancy taxes	1,916,962	2,017,281	2,393,034	2,680,392
Franchise taxes	1,881,614	1,805,767	1,705,681	1,767,044
Business license taxes	4,107,323	4,878,608	5,072,563	4,901,207
Utility users tax	6,714,303	6,996,505	6,689,440	6,737,474
Other taxes	223,331	356,411	137,620	249,778
Miscellaneous revenue	264,107	406,935	90,807	38,244
Use of money and property	662,160	978,096	1,299,405	25,340
Other	3,102,494	-	-	-
Transfers	-	560,774	-	-
Total governmental activities	<u>53,642,817</u>	<u>54,815,868</u>	<u>43,795,911</u>	<u>44,340,067</u>
Business-type activities:				
Use of money and property	413,976	-	-	-
Miscellaneous	-	-	-	-
Transfers	-	(560,774)	-	-
Total business-type activities	<u>413,976</u>	<u>(560,774)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>54,056,793</u>	<u>54,255,094</u>	<u>43,795,911</u>	<u>44,340,067</u>
Change in Net Position:				
Governmental activities	(24,220,836)	3,568,985	9,858,114	(2,868,484)
Business-type activities	(126,073)	(421,716)	625,329	748,574
Total primary government	<u>\$ (24,346,909)</u>	<u>\$ 3,147,269</u>	<u>\$ 10,483,443</u>	<u>\$ (2,119,910)</u>

(continued)

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 13,767,847	\$ 15,582,864	\$ 14,693,230	\$ 17,000,228	\$ 17,212,040	\$ 18,297,687
13,103,430	14,521,823	14,721,975	16,856,609	18,498,130	28,408,757
2,765,262	3,357,279	4,806,401	5,200,111	5,412,476	5,970,823
1,801,311	1,833,145	1,809,159	1,724,565	1,765,717	2,171,334
4,962,181	4,947,687	6,419,659	5,615,982	6,314,957	6,921,485
6,954,818	6,842,540	6,667,384	6,613,873	6,726,815	6,358,691
21,086	115,589	-	-	-	-
176,333	159,031	1,060,219	1,649,614	11,507,607	2,104,588
13,993	9,017	69,833	40,189	100,699	410,090
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>70,643,455</u>
-	-	-	-	-	-
-	-	23,963	5,874	12,195	7,071
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>23,963</u>	<u>5,874</u>	<u>12,195</u>	<u>7,071</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>	<u>70,650,526</u>
3,261,593	(62,005)	(1,755,464)	(1,564,741)	3,513,446	13,442,626
<u>1,113,029</u>	<u>36,071</u>	<u>573,275</u>	<u>298,773</u>	<u>(992,357)</u>	<u>(257,937)</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>	<u>\$ 13,184,689</u>

City of Hawthorne

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

	Fiscal Year			
	2010	2011	2012	2013
General Fund:				
Pre-GASB 54:				
Reserved for:				
encumbrances	\$ 101,884			
prepaid costs				
advances to other funds	20,124,856			
inventory	56,912			
Unreserved, undesignated	8,604,795			
GASB 54:				
Nonspendable		\$ 18,406,931	\$ 53,364	\$ 72,607
Unassigned		16,077,846	14,100,610	17,081,233
Total General Fund	<u>28,888,447</u>	<u>34,484,777</u>	<u>14,153,974</u>	<u>17,153,840</u>
All Other Governmental Funds:				
Pre-GASB 54:				
Reserved for:				
encumbrances	49,903			
prepaid costs	844,205			
advances to other funds				
land held for resale				
compensated absences	1,052,374			
capital projects	120,000			
Unreserved, reported in:				
Special revenue funds	942,806			
Capital projects funds	2,893,989			
Debt service funds	5,749,340.00			
Unreserved, designated for debt service				
Unreserved, undesignated	(56,671,929)			
GASB 54:				
Nonspendable		832,337	857,563	
Restricted		8,697,995	9,223,388	12,414,769
Unassigned		(49,562,934)	71,528.00	(1,463,709.00)
Total all other governmental funds	<u>(45,019,312)</u>	<u>(40,032,602)</u>	<u>10,152,479</u>	<u>10,951,060</u>
Total governmental funds	<u>\$ (16,130,865)</u>	<u>\$ (5,547,825)</u>	<u>\$ 24,306,453</u>	<u>\$ 28,104,900</u>

(continued)

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 21,186	\$ 4,223,582	\$ 3,217,524	\$ 53,986	\$ 49,432	\$ 52,198
17,825,388	11,846,918	10,763,286	16,615,228	26,066,029	37,202,338
<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>	<u>37,254,536</u>
		335,181	-	-	-
13,462,455	15,071,577	15,412,581	17,790,488	21,191,173	21,997,889
(1,973,549)	(3,391,518)	(1,874,224)	(625,215)	(911,566)	(760,486)
<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>21,237,403</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>	<u>\$ 58,491,939</u>

City of Hawthorne

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

	Fiscal Year			
	2010	2011	2012	2013
Revenues:				
Taxes and special assessments	\$ 49,735,112	\$ 57,525,351	\$ 47,939,202	\$ 49,001,010
Licenses and permits	1,486,245	1,661,731	1,275,321	2,696,368
Intergovernmental	125,853,156	109,233,611	39,277,118	23,735,974
Charges for services	4,967,767	1,790,548	1,979,901	1,981,251
Fines and forfeitures	1,305,900	3,024,286	2,439,989	2,978,968
Use of money and property	2,861,172	5,041,498	1,308,719	447,973
Contributions	2,517,450	2,349,180	1,079,694	1,810,060
Miscellaneous	3,632,048	5,804,630	6,920,074	3,777,822
Total Revenues	192,358,850	186,430,835	102,220,018	86,429,426
Expenditures:				
Current:				
General government (2)	16,205,008	11,685,164	5,622,032	5,780,090
Public safety	36,958,393	36,594,120	36,924,710	39,296,404
Public works	9,981,519	12,199,278	10,556,123	10,275,219
Community development (2)	118,195,497	102,036,018	31,045,909	19,665,363
Parks and recreation	1,649,491	1,412,709	1,496,645	1,506,952
Capital outlay	7,339,197	5,590,203	4,830,417	924,301
Debt service:				
Principal retirement	3,585,337	8,611,765	2,693,243	3,372,594
Interest and fiscal charges	6,298,503	5,771,747	5,591,640	2,454,056
Cost of issuance	-	-	-	-
Total expenditures	200,212,945	183,901,004	98,760,719	83,274,979
Excess/(deficiency) of Revenues Over Expenditures	(7,854,095)	2,529,831	3,459,299	3,154,447
Other financing sources (uses):				
Issuance of debt	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Sale of capital assets	-	-	-	-
Loan proceeds	1,125,000	1,125,000	-	-
Bond proceeds	-	6,367,436	-	-
Capital Lease proceeds	-	-	73,464	-
Transfers in	8,723,679	12,767,509	7,230,946	3,927,563
Transfers out	(8,723,679)	(12,206,736)	(7,230,946)	(3,927,563)
Total other financing sources (uses)	1,125,000	8,053,209	73,464	-
Net Change in Fund Balances	\$ (6,729,095)	\$ 10,583,040	\$ 3,532,763	\$ 3,154,447
Debt service as a percentage of noncapital expenditures	5.60%	9.11%	10.19%	7.97%

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					
2014	2015	2016	2017	2018	2019
\$ 48,842,096	\$ 52,613,639	\$ 54,107,964	\$ 58,115,240	\$ 63,954,559	\$ 75,799,317
2,988,845	3,890,427	2,291,930	2,535,471	3,384,070	4,121,946
18,331,224	26,682,989	16,469,698	22,245,586	21,283,289	22,515,800
2,241,294	2,170,626	2,500,544	2,412,936	2,325,798	2,631,104
3,424,944	3,527,228	3,934,011	5,850,331	3,101,340	4,241,409
373,828	446,438	471,056	530,465	580,685	937,192
301,155	365,361	188,206	873,620	888,145	3,670,175
6,605,953	6,793,843	5,279,485	5,392,496	12,435,535	4,093,289
<u>83,109,339</u>	<u>96,490,551</u>	<u>85,242,894</u>	<u>97,956,145</u>	<u>107,953,421</u>	<u>118,010,232</u>
6,187,963	7,299,439	9,517,701	9,388,771	10,130,387	12,073,085
41,134,364	42,841,325	43,038,523	46,173,983	49,374,104	50,438,881
11,336,465	11,755,008	8,202,451	13,565,765	11,786,057	3,767,113
13,209,207	14,241,571	12,590,103	12,747,063	14,603,141	18,750,519
1,801,650	1,703,966	3467866	3,654,856	3,743,089	13,807,096
2,418,275	13,571,753	2,438,251	3,164,810	2,183,616	3,360,606
3,501,557	3,741,924	4,010,186	5,473,428	2,365,154	2,414,644
2,289,278	2,224,946	2,658,786	980,189	1,207,292	1,142,617
-	-	941,625	108,692	-	-
<u>81,878,759</u>	<u>97,379,932</u>	<u>86,865,492</u>	<u>95,257,557</u>	<u>95,392,840</u>	<u>105,754,561</u>
<u>1,230,580</u>	<u>(889,381)</u>	<u>(1,622,598)</u>	<u>2,698,588</u>	<u>12,560,581</u>	<u>12,255,671</u>
-	-	31,803,741	2,730,900	-	-
-	-	(29,910,984)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	550,651	-	-
3,995,825	4,034,710	5,894,967	2,759,313	2,804,428	2,950,318
<u>(3,995,825)</u>	<u>(4,730,250)</u>	<u>(5,894,967)</u>	<u>(2,759,313)</u>	<u>(2,804,428)</u>	<u>(3,109,118)</u>
-	<u>(695,540)</u>	<u>1,892,757</u>	<u>3,281,551</u>	-	<u>(158,800)</u>
<u>\$ 1,230,580</u>	<u>\$ (1,584,921)</u>	<u>\$ 270,159</u>	<u>\$ 5,980,139</u>	<u>\$ 12,560,581</u>	<u>\$ 12,096,871</u>
7.97%	6.25%	7.89%	7.34%	4.05%	4.40%

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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)
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
2019	7,532,179,160	732,745,553	(75,014,723)	8,189,909,990	0.09104

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 2018/19 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			
	2010	2011	2012	2013
City basic rate	0.09484	0.09484	0.09484	0.09484
Redevelopment agency	1.00430	1.00370	1.00370	
Overlapping Rates				
County Detention Facilities 1987 Debt	0.00000	0.00000	0.00000	0.00000
El Camino Community College	0.01487	0.01614	0.01688	0.01849
Hawthorne School District	0.07406	0.09394	0.09252	0.11286
Inglewood Unified School Dist	0.11300	0.11452	0.11278	0.12139
La Community College District	0.02311	0.04031	0.03530	0.04875
La County Flood Control	0.00000	0.00000	0.00000	0.00000
Lawndale Elementary School Dist	0.04760	0.05429	0.04363	0.04919
Lennox School District	0.06495	0.06281	0.06682	0.08064
Los Angeles Unified School District	0.15181	0.18695	0.16819	0.17561
Metropolitan Water District	0.00430	0.00370	0.00370	0.00350
Wiseburn School District	0.06352	0.06358	0.09994	0.09129
Wiseburn-Centinela Unified	0.02918	0.03161	0.04985	0.05906
Total Direct Rate	0.24462	0.25442	0.24601	0.24470

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					
2014	2015	2016	2017	2018	2019
0.09484	0.09484	0.09484	0.09484	0.09484	0.00000
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.01750	0.01742	0.01745	0.02294	0.02120	0.02223
0.10797	0.10620	0.10176	0.09553	0.08818	0.08395
0.15614	0.14992	0.12761	0.11351	0.11675	0.13079
0.04454	0.04017	0.03575	0.03596	0.04599	0.04621
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.04651	0.04334	0.04207	0.04064	0.06143	0.06385
0.08118	0.08464	0.08456	0.09078	0.16337	0.16522
0.14644	0.14688	0.12971	0.13110	0.12219	0.12323
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.11672	0.13062	0.13341	0.10166	0.11222	0.10532
0.04369	0.16730	0.14481	0.16592	0.13062	0.17572
0.09106	0.09115	0.09137	0.09174	0.09127	0.08993

City of Hawthorne

Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	2019			2010		
	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	\$ 415,629,258	1	5.07 %	-	-	-
DCII-2301 WEST 120TH STREET LLC	81,090,000	2	0.99	-	-	-
DCT CARGO LLC	72,251,765	3	0.88	-	-	-
COSTCO WHOLESALE CORPORATION	58,931,009	4	0.72	\$ 46,210,015	4	0.80 %
BSP ZELMAN HAWTHORNE LLC	58,886,639	5	0.72	34,761,034	10	0.60
EQUITY HOLDINGS LLC	55,276,374	6	0.67	-	-	-
RT ROCKET ROAD LLC	49,274,811	7	0.60	-	-	-
M AND A GABAE	48,600,322	8	0.59	42,941,824	6	0.75
2 LA CIENEGA INC	42,642,485	9	0.52	-	-	-
OCEANGATE PROPERTY LLC	42,509,279	10	0.52	37,559,894	9	0.65
WILLIAM LYON HOMES INC	-	-	-	107,734,598	1	1.87
HEARTHSTONE MULTI ASSET ENTITY	-	-	-	74,509,859	2	1.29
RS HAWTHORNE LLC	-	-	-	48,583,400	3	0.84
VOUGHT AIRCRAFT INDUSTRIES INC	-	-	-	43,547,560	5	0.76
MP CARGO LAX I LLC	-	-	-	42,859,578	7	0.74
NORTHROP GRUMMAN SYSTEM CORPORATION	-	-	-	42,041,111	8	0.73
Total	\$ 925,091,942		11.28 %	\$ 520,748,873		9.03 %

Note:

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

Source: GdL Coren & Core, Los Angeles County Assessor 2018/2019 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
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
2019	8,045,958	7,121,892	88.52	132,075	7,253,967	90.16

City of Hawthorne

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities (1)					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable			
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	454
2018	29,211,468	3,178,249	2,419,000	378,119	2,493,585	37,680,421	0.020	429
2019	27,752,015	2,595,505	2,247,100	682,255	2,130,448	35,407,323	0.018	403

Note:

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

Source: City Finance Department.

City of Hawthorne

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds (1)</u>	<u>Total</u>	<u>Percent of Assessed Value (2)</u>	<u>Per Capita</u>
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
2019	27,752,015	2,595,505	30,347,520	0.371	345

Notes:

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

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

Source: City Finance Department.

City of Hawthorne

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Total assessed valuation	\$ 5,762,385,657	\$ 5,636,931,461	\$ 5,731,138,643	\$ 5,830,998,139
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,440,596,414	1,409,232,865	1,432,784,661	1,457,749,535
Debt limit percentage	15%	15%	15%	15%
Debt limit	216,089,462	211,384,930	214,917,699	218,662,430
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 216,089,462</u>	<u>\$ 211,384,930</u>	<u>\$ 214,917,699</u>	<u>\$ 218,662,430</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					
2014	2015	2016	2017	2018	2019
\$ 6,001,205,947	\$ 6,208,234,269	\$ 6,583,853,815	\$ 7,276,798,609	\$ 7,726,172,392	\$ 8,189,909,990
25%	25%	25%	25%	25%	25%
1,500,301,487	1,552,058,567	1,645,963,454	1,819,199,652	1,931,543,098	2,047,477,498
15%	15%	15%	15%	15%	15%
225,045,223	232,808,785	246,894,518	272,879,948	289,731,465	307,121,625
-	-	-	-	-	-
<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>	<u>\$ 307,121,625</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		
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	
2019	897,558	754,644	199,655	0.94	

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, 2019

	Percentage Applicable	Gross Bonded Debt Balance	Estimated Share of Overlapping
Direct Debt			
2011 SERIES A REVENUE BONDS	100.000%	\$ 3,581,758	\$ 3,581,758
2016 COP SERIES A	100.000%	12,645,000	12,645,000
2016 COP SERIES B	100.000%	14,650,000	14,650,000
DIRECT PLACEMENT LEASE FINANCING	100.000%	2,855,327	2,855,327
Total Direct Debt			33,732,085
Overlapping Debt			
METROPOLITAN WATER DISTRICT	0.522%	23,317,224	121,724
HAWTHORNE SD DS 1997 SERIES B	96.985%	1,179,530	1,143,964
HAWTHORNE SD DS 1997 SERIES C	96.985%	2,170,405	2,104,961
HAWTHORNE SD DS 1997 SERIES 2004 D	96.985%	50,364	48,845
HAWTHORNE SD DS 2004 2005 SERIES A	96.985%	488,951	474,208
HAWTHORNE SD DS 2004 SERIES 2005B	96.985%	2,510,102	2,434,416
HAWTHORNE SD DS 2004, SERIES C 2008	96.985%	7,936,599	7,697,289
HAWTHORNE SD DS 2008,2009 SERIES A	96.985%	5,664,016	5,493,230
HAWTHORNE SD DS 2008 2012 SERIES B	96.985%	11,156,770	10,820,363
HAWTHORNE SD DS REF BONDS 2004 2015 SERIES A	96.985%	5,360,000	5,198,381
HAWTHORNE SD DS REF BONDS 97, 2015 SERIES B	96.985%	37,585,000	36,451,709
LAWNSDALE ELEMENTARY SD DS 1998 SERIES C	19.804%	2,950,000	584,226
LAWNSDALE ELEMENTARY SD DS 2010 REF BOND	19.804%	7,975,000	1,579,389
LAWNSDALE ELEMENTARY SD DS 2016 SERIES A 2017	19.804%	14,595,000	2,890,431
LAWNSDALE ELEMENTARY SD DS 2017 REF BOND	19.804%	10,000,000	1,980,425
LENNOX SD DS 1998 SERIES A	7.987%	71,609	81,475
LENNOX SD DS 1998 SERIES 2002B	7.987%	1,137,921	90,885
LENNOX SD DS 2007, SERIES 2007	7.987%	463,827	37,046
LENNOX SD DS 1998 SERIES 2012A QSCB	7.987%	2,815,000	224,833
LENNOX SD DS 2012	7.987%	1,357,217	108,400
LENNOX SD DS 2016 REF BONDS	7.987%	3,338,746	266,664
LENNOX SD DS 2016 SERIES 2017	7.987%	24,700,346	1,972,803
CENTINELA-WISEBURN UNION HSD 2002 REF BOND S-A	57.139%	11,085,000	6,333,834
CENTINELA-WISEBURN UNION HSD 2004 REF BOND S-A	57.139%	24,765,000	14,150,419
CENTINELA-WISEBURN UNION HSD 2008 SERIES A	57.139%	19,148,502	10,941,220
CENTINELA-WISEBURN UNION HSD 2010, 11 SERIES A	57.139%	479,358	273,899
CENTINELA-WISEBURN UNION HSD 2010, 12 SERIES B	57.139%	5,587,649	3,192,714
CENTINELA-WISEBURN UNION HSD 2008 2013 SERIES B	57.139%	4,950,000	2,828,370
CENTINELA-WISEBURN UNION HSD DS 2008 2014 SERIES C	57.139%	17,460,000	9,976,431
CENTINELA-WISEBURN UNION HSD 2008, 2014 SERIES D	57.139%	6,730,000	3,845,440
CENTINELA-WISEBURN UNION HSD 2016 REF BOND	57.139%	26,790,000	15,307,479
CENTINELA-WISEBURN UNION HSD 2016 REF BOND C	57.139%	138,180,000	78,954,366
CENTINELA-WISEBURN SFID DS 2016 2017 SERIES A	35.732%	110,000,000	39,305,410
EL CAMINO CCD DS 2002 SERIES 2012C	6.720%	177,350,103	11,917,810
EL CAMINO CCD DS 2012 REF BONDS	6.720%	30,935,000	2,078,812
EL CAMINO CCD DS 2012 SERIES 2016 A	6.720%	90,750,000	6,098,340
EL CAMINO CCD DS 2016 REF BONDS	6.720%	71,165,000	4,782,241
EL CAMINO CCD DS 2012 SERIES 2018B	6.720%	50,000,000	3,359,967
LA CCD DS 2003 TAXABLE SERIES 2004B	0.086%	2,115,000	1,811
LA CCD DS 2001 TAXABLE SERIES 2004A	0.086%	31,555,000	27,025
LA CCD DS 2008, 2009 TAXABLE SER B	0.086%	75,000,000	64,232
LA CCD DS 2008, 2010 TAX SERIES D	0.086%	125,000,000	107,053
LA CCD DS 2008, 2010 TAX SER E (BABS)	0.086%	900,000,000	770,784
LA CCD DS 2008 2012 SERIES F	0.086%	202,000,000	172,998
LA CCD DS 2013 REF BONDS	0.086%	38,945,000	33,354

Notes:

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

Source: GdL Coren & Core, Los Angeles County Assessor 2018/2019 Combined Tax Rolls

City of Hawthorne

Direct and Overlapping Debt, (continued) As of June 30, 2019

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percentage Applicable	Gross Bonded Debt Balance	Estimated Share of Overlapping
Overlapping Debt (Continued)			
LA CCD DS 2008 SERIES G	0.086%	\$ 212,070,000	\$ 181,623
LA CCD DS 2015 REF SERIES A	0.086%	1,429,435,000	1,224,207
LA CCD DS 2015 REF SERIES B	0.086%	28,830,000	24,691
LA CCD DS 2015 REF SERIES C	0.086%	252,150,000	215,948
LA CCD DS 2008 SERIES I	0.086%	210,570,000	180,338
LA CCD DS 2008 SERIES J	0.086%	174,965,000	149,845
LA CCD DS 2016 REF BONDS	0.086%	247,755,000	212,184
INGLEWOOD USD DS 2007 REF BONDS	0.046%	32,610,000	14,915
INGLEWOOD USD DS 2012 SERIES A	0.046%	25,840,000	11,819
INGLEWOOD USD DS 2016 REF BONDS	0.046%	36,295,000	16,601
INGLEWOOD USD DS 2012 SERIES B	0.046%	30,000,000	13,722
LOS ANGELES UNIF DS 2002 SERIES D	0.105%	8,155,000	8,575
LOS ANGELES UNIF DS 2004 SERIES I	0.105%	18,155,000	19,090
LOS ANGELES UNIF DS 2005 SERIES F	0.105%	4,945,000	5,200
LOS ANGELES UNIF DS 2002 SERIES E	0.105%	200,000,000	210,302
LOS ANGELES UNIF DS 2005 SERIES H-QSCBS	0.105%	318,800,000	335,221
LOS ANGELES UNIF MEASURE R SERIES 2009	0.105%	5,645,000	5,936
LOS ANGELES UNIF MEASURE R SERIES KRY BABS	0.105%	363,005,000	381,703
LOS ANGELES UNIF MEASURE Y 2009 SERIES KRY BABS	0.105%	806,795,000	848,351
LOS ANGELES UNIF DS 2009 REFUNDING PROP BB BONDS	0.105%	23,635,000	24,852
LOS ANGELES UNIF MEASURE K 2010 SERIES KRY	0.105%	145,250,000	152,732
LOS ANGELES UNIF MEASURE R 2010 SERIES KRY	0.105%	152,165,000	160,003
LOS ANGELES UNIF MEASURE Y 2010 SERIES KRY	0.105%	95,770,000	100,703
LOS ANGELES UNIF MEASURE R 2010 SERIES RY BABS	0.105%	477,630,000	502,232
LOS ANGELES UNIF MEASURE Y 2010 SERIES RY BABS	0.105%	772,955,000	812,768
LOS ANGELES UNIF DS 2005 2010 SERIES J-1 QSCBS	0.105%	172,285,000	181,159
LOS ANGELES UNIF DS 2005 2010 SERIES J-2 QSCBS	0.105%	90,580,000	95,246
LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A 1	0.105%	104,935,000	110,340
LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A 2	0.105%	142,915,000	150,276
LOS ANGELES UNIF DS 2012 REFUNDING BOND SERIES A	0.105%	110,985,000	116,702
LOS ANGELES UNIF DS 2014 REF BOND SERIES A	0.105%	76,285,000	80,214
LOS ANGELES UNIF DS 2014 REF BOND SERIES B	0.105%	174,540,000	183,530
LOS ANGELES UNIF DS 2014 REF BOND SERIES C	0.105%	875,070,000	920,143
LOS ANGELES UNIF DS 2014 REF BOND SERIES D	0.105%	143,555,000	150,949
LOS ANGELES UNIF DS 2005 SERIES K	0.105%	3,725,000	3,917
LOS ANGELES UNIF DS 2015 REF BONDS SERIES A	0.105%	318,085,000	334,469
LOS ANGELES UNIF DS 2008 SERIES A 2016	0.105%	617,295,000	649,091
LOS ANGELES UNIF DS 2016 REF BONDS SERIES A	0.105%	504,630,000	530,622
LOS ANGELES UNIF DS 2016 REF BONDS SERIES B	0.105%	498,240,000	523,903
LOS ANGELES UNIF DS 2017 REF BONDS SER A PROP BB	0.105%	134,800,000	141,743
LOS ANGELES UNIF DS 2017 REF BONDS SER A MEAS K	0.105%	921,240,000	968,691
LOS ANGELES UNIF DS 2005 SERIES M 1 2018	0.105%	1,202,445,000	1,264,380
LOS ANGELES UNIF DS 2008 SERIES B 1 2018	0.105%	594,605,000	625,232
WISEBURN USD DS 1997 SERIES 1999A	15.812%	1,865,569	294,981
WISEBURN USD DS 2000 SERIES 2001	15.812%	25,693,464	4,062,610
WISEBURN USD SD DS 2010 2010 SERIES A	15.812%	606,081	95,833
WISEBURN USD DS 2010 2012 SERIES C	15.812%	32,885,135	5,199,746
WISEBURN USD SD DS 2010 2011 SERIES B	15.812%	13,149,981	2,079,254
WISEBURN USD DS 2010 2013 SERIES D	15.812%	4,855,000	767,665
WISEBURN USD DS REF BONDS 2015 SERIES A	15.812%	5,250,000	830,122
WISEBURN USD DS REF BONDS 2015 SERIES B	15.812%	6,880,000	1,087,855
WISEBURN USD DS REF BONDS 2016 SERIES A	15.812%	36,215,000	5,726,259
Total overlapping debt		\$ 15,213,854,469	329,318,169

Total Direct and Overlapping Debt

\$363,050,254

2018/19 Assessed Valuation: \$6,318,603,585 After Deducting \$1,808,607,665 Incremental Value.

Debt To Assessed Valuation Ratios:

Direct Debt	0.53%
Overlapping Debt	5.21%
Total Debt	5.75%

Notes:

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

Source: GdL Coren & Core, Los Angeles County Assessor 2018/2019 Combined Tax Rolls

City of Hawthorne

Demographic and Economic Statistics Last Ten Calendar Years

<u>Fiscal Year</u>	<u>Square Miles</u>	<u>Population</u>	<u>Population Percentage Change</u>	<u>Personal Income (In Thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (2)</u>
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%
2018	6.08	87,854	-1.03%	1,958,750	22,296	4.8%

Sources:

HdL Coren & Cone

City of Hawthorne

Principal Employers Current Year and Nine Years Ago

Employer	2019			2018		
	Number of Employees	Rank	Percent of Total Employment (1)	Number of Employees	Rank	Percent of Total Employment (1)
Space Exploration Technologies (1)	4718	1	10.55%	5352	1	11.74%
Hawthorne School District	726	2	1.62%	709	2	1.55%
Teledyne Relays	337	3	0.75%	343	4	0.75%
City of Hawthorne	329	4	0.74%	367	3	0.80%
Triump Aerostructures (formerly Vought aircraft)	314	5	0.70%	326	5	0.71%
OSI Systems Inc	300	6	0.67%	307	6	0.67%
Lithographix Inc	280	7	0.63%	254	9	0.56%
Target	260	8	0.58%	-	-	0.00%
Home Depot	254	9	0.57%	271	7	0.59%
South Bay Ford	218	10	0.49%	-	-	0.00%
Wiseburn Unified School District(2)	-	-	-	255	8	0.56%
Expeditors	-	-	-	250	10	0.55%
						0.00%
Total	7,736		17.31%	8,434		18.50%
 Total City Employment (3)	 44,700					

Source: MuniServices, LLC / an Avenu Insights & Analytics Company

Note: 2016-17 is the first published Principal Employers Report.

(1) Includes 3 locations

(2) Includes Da Vinci Charter - Total is FTE

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

City of Hawthorne

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

Function/Program:	<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>	<u>2019</u>
General government	134	137	130	132	139	132	120	130	129	141
Public safety	109	101	103	106	109	108	112	100	99	97
Public works, streets maint	44	46	47	42	43	46	47	48	45	45
Comm dev-planning, building, housing	27	27	27	27	34	32	28	26	27	30
Recreation & Comm-serv, parks	<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>	<u>100</u>
Total	<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>	<u>413</u>

Source: City Finance Department.

City of Hawthorne

Operating Indicators by Function (1) Last Ten Years

<u>Function/Program</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Government:			
Number of business licenses issued	5,314	5,547	4,719
Number of requests for public information	62	80	54
Number of new hires including part-time	39	37	42
Number of invoices processed	15,251	13,580	12,911
Public Safety:			
Police:			
Number of emergency calls	46,904	53,344	57,706
Fire:			
Contracts with the Los Angeles	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
Miles of centerline streets added	-	-	-
Storm drain structures cleaned and repaired	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	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>	<u>2018-19</u>
5,662	5,473	5,021	6,221	5,992	5,752	6,588
62	56	158	152	223	201	179
45	62	57	97	95	84	96
10,863	11,000	10,007	9,478	21,887	20,958	19,501
56,130	60,115	57,348	51,402	40,002	39,703	40,658
N/A	N/A	N/A	N/A	N/A	N/A	N/A
-	1	-	-	1	2	-
-	-	1	-	1	-	2
15,184	15,184	15,184	15,184	15,184	15,184	15,184
-	-	-	-	-	-	-
993	993	993	993	993	993	997
	811	783	867	889	847	1,044
	24,123	23,987	24,280	25,494	30,625	30,520
	80	100	80	80	30	2,458
	565	563	577	605	701	3,490
	18,750	18,750	18,750	18,750	16,841	17,290
681	673	716	712	594	775	695
10,143	9,893	8,845	7,020	4,000	6,200	6,475
702	611	719	839	764	669	930

City of Hawthorne

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety:				
Police (1)				
Number of police stations	1	1	1	1
Number of emergency vehicles	78	85	80	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	3,639	3,639
Culture and Recreation:				
Parks	9	9	10	10
Acres of park land	50.23	50.23	50.38	50.38
Pools	1	1	1	1

Notes:

(1) The Fire station is owned by LA County. The City contracts fire services.

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

Sources: Various City Departments.

(continued)

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1 79	1 76	1 99	1 96	1 96	1 101
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 47.14 2

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