



*City of Hawthorne,
California*

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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Transmittal Letter

January 12, 2021

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, 2020. 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, 2020.

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, 2020, 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, Human Resources Director and Chief of Police are also appointed directly by the Council.

In addition, the City Council appoints the members of the following advisory Boards and Commissions:

Public Funds Advisory Committee	Planning Commission
Recreation & Comm. Svc Commission	Veterans’ Affairs Commission
Civil Service Commission	Youth Commission
Senior Citizens’ Commission	

Every two years, two members of the City Council are elected at large by the community 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 City operates on an annual budget schedule. The annual budget serves as the foundation for the City of Hawthorne’s financial planning and control. The budget development process begins in December. Finance staff updates excel worksheets for each department. Those worksheets are distributed in February. Each department is responsible for developing the operational line items, while Finance staff is responsible for the salary and benefit line items.

The Finance Director, along with the applicable operating departments, provides the City Manager with proposed revenue projections. These revenue estimates are reviewed with the department expenditure budget requests to determine available funding levels for the fiscal year. Supplemental requests, proposing changes to personnel, equipment and services, are subject City Manager review and approval. This process applies to all governmental and enterprise funds.

The City Manager and Finance Director meet with departments to review all operating budgets and supplemental requests. Once this review is completed by City Manager, the proposed budget is presented to the City Council. A public workshop and public hearing are then held by City Council. The City Council adopts a budget recommended by the City Manager prior to June 30.

During the fiscal year, the budget can be amended as necessary to meet the City’s needs. After adoption, the City Council may modify appropriations at any time with majority approval. Department Heads and their designated representatives may only authorize expenditures based on appropriations approved by City Council action, and only from accounts under their organizational responsibility. Total expenditures within each fund may not exceed the total appropriations by that fund. Interfund transfers require budget amendment by the City Council.

Economic Condition and Outlook

Information presented in the City’s financial statements is best understood within the context of our broader economic conditions. According to UCLA Andersons Forecast, the national economy has entered into a recession. Based on the most recent estimates from the Bureau of Economic Analysis, real GDP increased 33.1% at the end of the third quarter of 2020, after showing a decrease of -31.4% in the second quarter 2020. GDP decreased in all 50 states in the second quarter of 2020. The increase in third quarter GDP reflects the continued efforts to reopen businesses. During the early stages of the COVID-19 Pandemic, in April 2020, the Unemployment rate skyrocketed to 14.7%. This is the highest since the Great Depression of 25%. Since June 2020, the rates have dropped monthly. In October 2020, the national unemployment rate was reported at 6.9% per the Bureau of Labor Statistics, an increase from 3.7% in 2019.

With concerns about the weak global economy and uncertainty at home regarding national politics, the Federal Reserve first lowered interest rates in March 2020. In November 2020, The Federal Reserve maintained its target rates of 0% to .25%. The goal is to boost the economy. The last time the Federal Reserve cut interest rates to this level was December 2008.

LOCAL ECONOMY

The City of Hawthorne has been fortunate to have a stable and diverse economic base, which has somewhat shielded its economy from downturns in any one specific category. Despite the slowing economy, the City of Hawthorne saw an increase in Sales Tax revenue in fiscal year 2019-20. The City's top five revenue sources are Sales Tax, Vehicle License Fees, Property Tax, Business License Tax, and Utility Users Tax. According to the February 2020 Economic Forecast and Industry Outlook prepared by the Los Angeles County Economic Development Corporation, the growth in the California economy had already begun to decelerate. *"LAEDC expects this reduction in growth to continue for the state with our statewide forecast suggesting real GDP growth of 2% for 2020 and 1.6% in the following year."* Little did we know that COVID-19 was looming. In March 2020, Los Angeles County implemented "Safer at Home" measures.

California's unemployment rate jumped to a record high of 15.5% in April 2020. Since that high, the rate has decreased to an October 2020 estimate of 9.3%. An increase of 11.6%, from 3.9% in October of 2019. The unemployment rate is expected to remain elevated over the next two years, especially due to the second wave of COVID-19 virus shutdowns. California is slowly gaining jobs, but unemployment remains grim. If jobs continue to be added at the current rate, it is estimated unemployment rate will return to pre COVID-19 rates in 2022.

According to Employment Development Department data the average unemployment rate in Los Angeles County, for October 2020, was estimated at 12.3%, an increase of 8% compared to October 2019 of 4.3%. This is a decrease from the high in April 2020 of 20.4%.

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 2019-2020 fiscal year increased 2.2% 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 2019-20 were based on conservative estimates to account for modest economic growth.

One of the City's single largest revenues is sales tax. The City has experienced steady growth in sales tax revenues each year since 2012. Despite the economic slowdown, due to the COVID-19 pandemic, the City continued to see an increase in Sales Tax revenues. General Retail represents 25.3%, and New Auto sales represent 12.1% of Hawthorne's sales tax revenues.

On the expense side, total General Fund expenditures increased by 1.7% in fiscal year 2019-2020 from the prior fiscal year. Expenses for the City totaled \$71.5 million for the year ended June 30, 2020. 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

On September 10, 2019, City Council approved a minimum Cash Reserve policy to ensure the general fund reserve balance does not fall below three months of average operating expenditures. This amount shall be calculated by dividing the budgeted total operating expenditures for the current fiscal year by 4.

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).

In 2019, Council approved the addition of a Money Market and Sweep account, both of which are completely liquid and increased investment earning substantially. 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

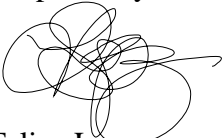
ICRMA up to a maximum of \$30,000,000 per incident. Worker's compensation claims that exceed the (SIR) are insured by the California Public Entity Insurance Authority up to the California statutory limits for worker's compensation. The City contracts with third party administrators who manages the majority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

Award and Acknowledgments

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

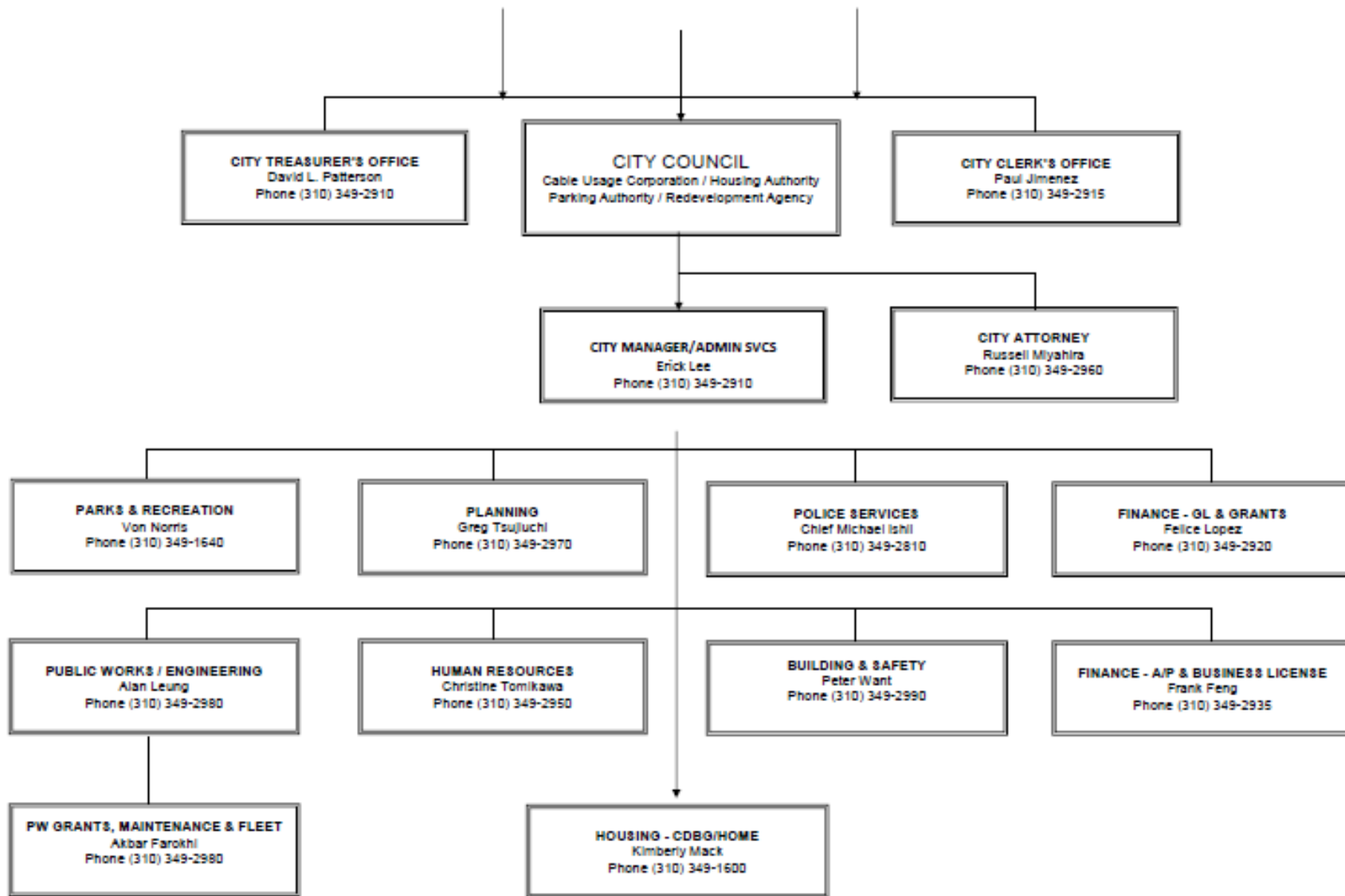
Lastly, a special thank you goes to the Mayor, City Council and City Manager for their support in maintaining the highest standards of professionalism in the management of the City of Hawthorne's finances. Through continued partnership with the community that we serve, the City of Hawthorne will continue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

Respectfully submitted,



Felice Lopez
Finance Director

ELECTORATE



CITY OF HAWTHORNE

LIST OF PRINCIPAL OFFICIALS

City Council

Mayor
Pro Mayor Tem
Councilmember
Councilmember
Councilmember

Alex Vargas
Alex Monteiro
Haidar Awad
Olivia Valentine
Mike Talleda

Administration

City Manager
City Treasurer
City Attorney
City Clerk

Erick B. Lee
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
Parks & Recreation Director
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, 2019

Christopher P. Morill

Executive Director/CEO

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

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INDEPENDENT AUDITOR'S REPORT

PARTNERS

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Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST

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 fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA
Louis Fernandez, CPA
Abigail Hernandez Conde, CPA, MSA
Zoe Xinlu Zhang, CPA, MSA
John Maldonado, CPA, MSA

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.

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

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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 Net OPEB liability and related ratios, 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 January 12, 2021 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
January 12, 2021

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City of Hawthorne

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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, 2020. 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, 2020, the City's net deficit (assets plus deferred outflows of resources less liabilities and deferred inflows of resources) was \$(38.4) million. Of this amount, \$(191.8) million is unrestricted.
- The City of Hawthorne total net position increased from the prior fiscal year 2018-2019 by \$11,400,711 primarily due to the increase in capital contributions and grants and property taxes.
- At the close of the current fiscal year, the City of Hawthorne governmental funds reported combined fund balances of \$71,492,834, an increase of \$13,000,895 in comparison with the prior year. Approximately 59.4% of this amount (\$42,439,820) 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 \$44,563,186 or approximately 62.4% 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 Fiscal Year Ended June 30, 2020

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, Sewer and Storm Drain, and Storm Water.

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 19-21 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 Fiscal Year Ended June 30, 2020

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 MTA Measure R Fund, the Hawthorne Housing Authority Fund, and the 2019 Pension Obligation Bond 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 22-27 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, Sewer and Storm Drain, and Storm Water 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 28-30 of this report.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

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 31-32 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 33-95 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, and schedule of changes in the Net OPEB Liability and related ratios.

Required supplementary information can be found on pages 96-108 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 \$38.4 million at June 30, 2020. Approximately \$124.4 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 Fiscal Year Ended June 30, 2020

A portion of the City of Hawthorne's net position, \$29.0 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, \$(191.8) million, is for unrestricted uses in accordance with finance-related legal requirements. This deficit reflects liabilities which exceeds assets on hand and is related mainly to the 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 2020 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 80,088,359	\$ 65,243,779	\$ 4,313,029	\$ 3,546,951	\$ 84,401,388	\$ 68,790,730
Capital assets, net	134,473,463	134,230,011	8,894,639	9,269,159	143,368,102	143,499,170
Total assets	214,561,822	199,473,790	13,207,668	12,816,110	227,769,490	212,289,900
Deferred outflows of resources	143,901,549	23,691,925	2,835,787	312,105	146,737,336	24,004,030
Non-current liabilities	381,561,406	259,845,694	2,571,186	2,643,658	384,132,592	262,489,352
Other liabilities	7,045,695	5,294,573	85,781	142,647	7,131,476	5,437,220
Total Liabilities	388,607,101	265,140,267	2,656,967	2,786,305	391,264,068	267,926,572
Deferred inflows of resources	21,557,655	18,081,595	77,275	78,646	21,634,930	18,160,241
Net position						
Net investment in capital assets	115,535,476	113,929,703	8,894,639	9,269,159	124,430,115	123,198,862
Restricted	28,952,064	21,997,889	-	-	28,952,064	21,997,889
Unrestricted	(196,188,925)	(195,983,739)	4,414,574	994,105	(191,774,351)	(194,989,634)
Total net position	\$ (51,701,385)	\$ (60,056,147)	\$ 13,309,213	\$ 10,263,264	\$ (38,392,172)	\$ (49,792,883)

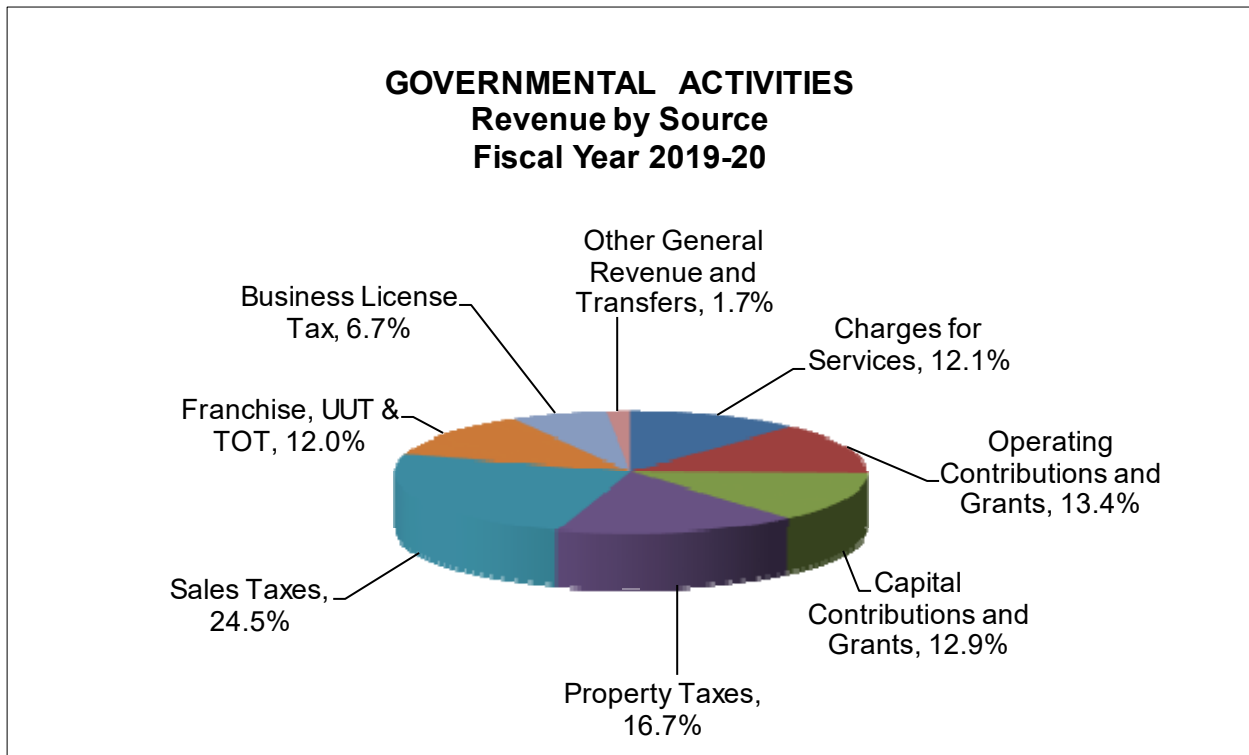
Governmental Activities. The City's net position from governmental activities totaled (\$51.7) million. The cost of all governmental activities this year was \$106.1 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$72.0 million because some of the cost was paid by those who directly benefited from the programs (\$14.1 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$30.8 million). Overall, the City's governmental program revenues were \$44.9 million. The City paid for the remaining "public benefit" portion of governmental activities with \$70.0 million in taxes (some of which could only be used for certain programs) and with \$2.0 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 \$59.7 million.

City of Hawthorne

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

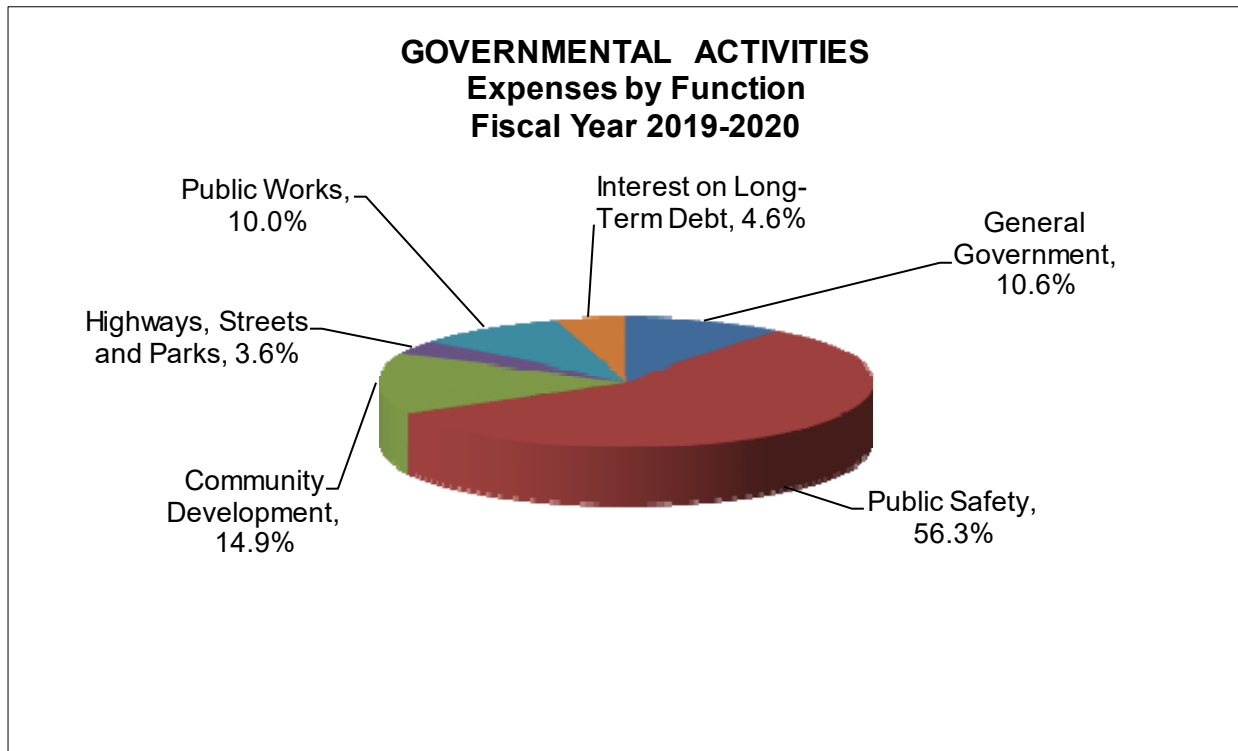
Revenue Source	2020	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
			From 2019	
Charges for services	\$ 14,105,595	12.1%	\$ (2,632,121)	-18.7%
Operating contributions and grants	15,727,924	13.4%	(3,249,555)	-20.7%
Capital contributions and grants	15,107,389	12.9%	4,906,621	32.5%
Property taxes	19,494,231	16.7%	1,196,544	6.1%
Sales taxes	28,627,941	24.5%	219,184	0.8%
Transient occupancy taxes	5,548,885	4.8%	(421,938)	-7.6%
Franchise taxes	1,980,644	1.7%	(190,690)	-9.6%
Business License taxes	7,851,079	6.7%	929,594	11.8%
Utility Users tax	6,476,401	5.5%	117,710	1.8%
Other	2,026,960	1.7%	(487,718)	-24.1%
Total revenue	\$ 116,947,049	100.0%	\$ 387,631	0.3%



City of Hawthorne

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Function	2020	Percent of Total	Increase (Decrease) From 2019	Percent Increase (Decrease)
General government	\$ 11,217,900	10.6%	\$ (3,514,454)	-31.3%
Public safety	59,715,116	56.3%	4,733,614	7.9%
Community development	15,845,559	14.9%	1,374,530	8.7%
Parks and recreation	3,832,039	3.6%	(533,144)	-13.9%
Public works	10,587,442	10.0%	(2,975,622)	-28.1%
Interest on long-term debt	4,903,784	4.6%	3,900,124	79.5%
Total expenses	\$ 106,101,840	100.0%	\$ 2,985,048	2.8%



**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Business-type Activities. Revenues of the City's business-type activities were \$2.9 million and transfers were \$2.5 million for the fiscal year ending June 30, 2020. Expenses for the City's business-type activities were \$2.3 million for the year, resulting in a net increase in net position of \$3.05 million. The net revenues are the result of several factors, including the following;

The City's Airport recorded total revenue of \$1.5 million. Expenses for the City's Airport were \$1.6 million, resulting in a decrease in net position before transfers of \$70 thousand. The most significant expenses of the Airport are \$604 thousand for administration and general, \$624 thousand for contractual services and \$315 thousand in depreciation.

The City's Sewer Maintenance services recorded charges for service of \$1.3 million, while expenses totaled \$710 thousand, resulting in an increase in net position before transfers of \$598 thousand. The most significant expenses of the Sewer Fund are \$431 thousand for administration and general and \$130 thousand for contractual services.

The City's Storm Water services recorded charges for services of \$28 thousand. No expenses were incurred, resulting in an increase in net position of \$28 thousand.

The increase in net position from business-type activities was primarily due to an increase in sales and services charges.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 14,105,595	\$ 16,737,716	\$ 2,180,388	\$ 2,329,616	\$ 16,285,983	\$ 19,067,332
Operating contributions and grants	15,727,924	18,977,479	651,948	35,769	16,379,872	19,013,248
Capital contributions and grants	15,107,389	10,200,768	-	-	15,107,389	10,200,768
General revenues:						
Property taxes	19,494,231	18,297,687	-	-	19,494,231	18,297,687
Sales taxes	28,627,941	28,408,757	-	-	28,627,941	28,408,757
Transient occupancy taxes	5,548,885	5,970,823	-	-	5,548,885	5,970,823
Franchise taxes	1,980,644	2,171,334	-	-	1,980,644	2,171,334
Business License taxes	7,851,079	6,921,485	-	-	7,851,079	6,921,485
Utility Users tax	6,476,401	6,358,691	-	-	6,476,401	6,358,691
Other	2,026,960	2,514,678	36,546	7,071	2,063,506	2,521,749
Total Revenues	116,947,049	116,559,418	2,868,882	2,372,456	119,815,931	118,931,874
Expenses						
General government	11,217,900	14,732,354	-	-	11,217,900	14,732,354
Public safety	59,715,116	54,981,502	-	-	59,715,116	54,981,502
Community development	15,845,559	14,471,029	-	-	15,845,559	14,471,029
Parks and recreation	3,832,039	4,365,183	-	-	3,832,039	4,365,183
Public works	10,587,442	13,563,064	-	-	10,587,442	13,563,064
Interest on long-term debt	4,903,784	1,003,660	-	-	4,903,784	1,003,660
Airport	-	-	1,603,543	1,745,924	1,603,543	1,745,924
Sewer and storm drain	-	-	709,837	884,469	709,837	884,469
Total Expenses	106,101,840	103,116,792	2,313,380	2,630,393	108,415,220	105,747,185
Increase in Net Position Before Transfers	10,845,209	13,442,626	555,502	(257,937)	11,400,711	13,184,689
Transfers in/(out)	(2,490,447)	-	2,490,447	-	-	-
Change in Net Position	8,354,762	13,442,626	3,045,949	(257,937)	11,400,711	13,184,689
Net Position, Beginning	(60,056,147)	(73,498,773)	10,263,264	10,521,201	(49,792,883)	(62,977,572)
Net Position, Ending	\$ (51,701,385)	\$ (60,056,147)	\$ 13,309,213	\$ 10,263,264	\$ (38,392,172)	\$ (49,792,883)

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.

City of Hawthorne

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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, 2020, the City of Hawthorne governmental funds reported combined fund balances of \$71.5 million, an increase of \$13.0 million in comparison with the prior year. Approximately 59.4% of this amount (\$42.4 million) constitutes unassigned fund balance. The remainder of the fund balance is either nonspendable or restricted.

Major Funds

The **General Fund** is the chief operating fund of the City of Hawthorne. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$44.6 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 62.4% of the total General Fund expenditures, while total fund balance represents approximately 62.5% of that same amount.

The fund balance of the City of Hawthorne General Fund increased by \$7.4 million during the current fiscal year. As discussed earlier in connection with governmental activities, the increase resulted from revenues received was more than projected, and was also due to transfers out to major and non-major funds for the debt service on the 2019 Pension Obligation bonds, the 1997/2011 COP bonds, and the 2007 SBRPCA bonds.

The **MTA Measure R Special Revenue Fund** is an ongoing maintenance and capital Improvement Transportation fund. The fund ended the year with a fund balance of \$1.3 million.

The **Hawthorne Housing Authority Special Revenue Fund** is used to account for the housing assistance programs for the qualified low-income residents. This fund ended the year with a fund balance of \$242 thousand.

The **2019 Pension Obligation Bond Fund** is used to account for the debt service on the 2019 Taxable Pension Obligation Bonds. This fund ended the year with a fund deficit of \$1.7 million.

City of Hawthorne

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Proprietary Funds

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

Airport Fund accounts for the operation of the City's airport, which is operated in a manner similar to a private airport. At the end of the year, the net position amounted to \$7.8 million. The total change in net position for the Airport Fund was \$1,319,840.

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 \$5.3 million. The total change in net position for the Sewer and Storm Drain Fund was \$1,698,449.

Storm Water Fund accounts for the operation of the City's storm water services. At the end of the year, the net position amounted to \$191 thousand. The total change in net position for the Storm Water Fund was \$27,660.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City's adopted General Fund revenue and expenditure budgets were amended. The operating expenditure budget was decrease by \$380,336 due to COVID-19 concerns, for a total amended expenditure budget of \$71,485,027 for Fiscal Year 2019-2020. These amendments to original budgeted appropriations were authorized by City Council during the mid-year review. Other minor amendments to reallocate appropriations among departments took place. The movement of the appropriations between departments was not significant and did not increase the overall operating budget.

The General Fund revenues exceeded budgeted revenues by approximately \$8.1 million in Fiscal Year 2019-2020. The excess revenue was due in part to an increase in tax and special assessments revenues of \$6.5 million and licenses and permits fees of \$512 thousand.

The General Fund expenditures came in slightly lower than the amended budget by approximately \$17 thousand. The lower than anticipated expenditure amounts were in part due to a decrease in expenditures in the Police Department of \$1.3 million and an increase in administrative services of \$2.6 million. The following departments had expenditures over budget: Mayor and City Council - \$311,093 and Administrative services - \$2,613,380.

The overall General Fund Budget for Fiscal Year 2019-2020 was approximately \$8.1 million more than projected due to the additional revenues, as noted above.

City of Hawthorne

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

	Estimated Revenues	Actual Revenues	Difference
Taxes	\$ 66,065,400	\$ 72,522,803	\$ 6,457,403
Licenses and permits	2,180,000	2,692,172	512,172
Intergovernmental	1,340,000	1,368,736	28,736
Charges for services	2,400,350	2,400,099	(251)
Fines and forfeitures	2,400,000	2,713,391	313,391
Use of money and property	400,000	712,702	312,702
Contributions	200,000	201,000	1,000
Miscellaneous	1,362,274	1,813,002	450,728
	<u>\$ 76,348,024</u>	<u>\$ 84,423,905</u>	<u>\$ 8,075,881</u>

	Appropriated Expenditures	Actual Expenditures	Difference
General government	\$ 9,380,883	\$ 12,002,579	\$ (2,621,696)
Public safety	52,445,777	51,135,361	1,310,416
Community development	2,668,776	2,284,434	384,342
Parks and recreation	4,019,236	3,394,445	624,791
Public works	2,513,418	2,221,948	291,470
Capital outlay	456,937	429,304	27,633
	<u>\$ 71,485,027</u>	<u>\$ 71,468,071</u>	<u>\$ 16,956</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, 2020, net capital assets totaled \$134.5 million for governmental activities and \$8.9 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 Fiscal Year Ended June 30, 2020

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 2019-2020 was \$131 thousand compared to prior year.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 6,966,028	\$ 6,966,028	\$ 37,314	\$ 37,314	\$ 7,003,342	\$ 7,003,342
Buildings and Improvements	23,262,293	24,821,880	1,059,895	1,110,866	24,322,188	25,932,746
Furniture and Equipment	3,535,360	3,888,230	-	-	3,535,360	3,888,230
Infrastructure	90,777,723	92,315,666	7,797,430	8,120,979	98,575,153	100,436,645
Investment in Joint Venture (RCC)	4,406,570	4,712,281	-	-	4,406,570	4,712,281
Construction in progress	5,525,489	1,525,926	-	-	5,525,489	1,525,926
Total	\$ 134,473,463	\$ 134,230,011	\$ 8,894,639	\$ 9,269,159	\$ 143,368,102	\$ 143,499,170

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

Long-term liabilities. At the end of the current fiscal year, the City had total bonded debt outstanding of \$150 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Long-Term Debt:								
Bond	\$ 149,941,864	\$ 32,594,620	\$ -	\$ -	\$ -	\$ -	\$ 149,941,864	\$ 32,594,620
Lease payable	248,356	380,023	223,437	302,232	-	-	471,793	682,255
Loan payable	1,766,892	2,130,448	-	-	-	-	1,766,892	2,130,448
Total	\$ 151,957,112	\$ 35,105,091	\$ 223,437	\$ 302,232	\$ -	\$ -	\$ 152,180,549	\$ 35,407,323
Operational Liabilities:								
Compensated absences	\$ 3,479,662	\$ 4,539,965	\$ 51,375	\$ 41,565	\$ 977	\$ 84,596	\$ 3,532,014	\$ 4,666,126
OPEB	107,376,488	105,254,000	-	-	-	-	107,376,488	105,254,000
Net Pension Liability	113,297,229	108,371,817	2,202,868	2,193,314	2,570,209	2,559,062	118,070,306	113,124,193
Claims and Judgment payable	-	-	2,973,235	4,037,710	-	-	2,973,235	4,037,710
Total	\$ 224,153,379	\$ 218,165,782	\$ 5,227,478	\$ 6,272,589	\$ 2,571,186	\$ 2,643,658	\$ 231,952,043	\$ 227,082,029

The City of Hawthorne's total long-term liabilities increased by \$121.6 million during the current fiscal year, primarily due to the issuance of the 2019 Pension Obligation Bond 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 Fiscal Year Ended June 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

GDP decreased in all 50 states in the second quarter of 2020. The estimated rate for California was -31.5%. The rebound in third quarter GDP reflects the continued efforts to reopen businesses. After this projected increase, GDP would still remain 4.5% below 4th quarter 2019. In April, The UCLA Anderson Forecast's wrote that the nation's economy was in a recession due to the COVID-19 pandemic. It is not expected that the economy will return to pre pandemic strength anytime soon. 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 .8% (\$219,184) in FY 2020 compared to FY 2019.

The City of Hawthorne has been fortunate to have a stable and diverse economic base, which has somewhat shielded its economy from downturns in any one specific category. Despite the slowing economy, the City of Hawthorne saw an increase in Sales Tax revenue in fiscal year 2019-20. The City's top five revenue sources are Sales Tax, Vehicle License Fees, Property Tax, Business License Tax, and Utility Users Tax. According to the February 2020 Economic Forecast and Industry Outlook prepared by the Los Angeles County Economic Development Corporation, the growth in the California economy had already begun to decelerate. *"LAEDC expects this reduction in growth to continue for the state with our statewide forecast suggesting real GDP growth of 2% for 2020 and 1.6% in the following year."* Little did we know that COVID-19 was looming. In March 2020, Los Angeles County implemented "Safer at Home" measures.

California's unemployment rate jumped to a record high of 15.5% in April 2020. Since that high, the rate has decreased to an October 2020 estimate of 9.3%. An increase of 11.6%, from 3.9% in October of 2019. It is expected to remain elevated over the next two years, If a second wave of COVID-19 virus shutdowns returns that rate is expected to increase. California is slowly gaining jobs, but unemployment remains grim. If jobs continue to be added at the current rate, it is estimated unemployment rate will return to pre COVID-19 rates in 2022.

According to Employment Development Department data the average unemployment rate in Los Angeles County, for October 2020, was estimated at 12.3%, an increase of 8% compared to October 2019 of 4.3%. This is a decrease from the high in April 2020 of 20.4%.

In developing the budget for fiscal year 2019-20, the first priority was to build on City Council's direction to reduce general fund expenditures and seek opportunities for new revenues. On that note, the City was successful in attracting new business such as Urth Caffe, Konami Digital Entertainment, Planet Fitness and Footlocker to name a few. In order to continue to retain and attract business, the City must strive to maintain a business friendly attitude.

The City of Hawthorne's financial outlook remains positive. The recommended fiscal year 2020-21 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, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 67,956,356	\$ 4,001,729	\$ 71,958,085
Cash and investments with fiscal agents	1,438,759	-	1,438,759
Receivables:			
Accounts	9,721,113	621,300	10,342,413
Taxes	195,366	-	195,366
Interest	46,168	-	46,168
Internal balances	310,000	(310,000)	-
Due from Successor Agency	325,654	-	325,654
Inventories	94,943	-	94,943
Capital assets, not being depreciated	12,491,517	37,314	12,528,831
Capital assets, net of accumulated depreciation	121,981,946	8,857,325	130,839,271
Total assets	<u>214,561,822</u>	<u>13,207,668</u>	<u>227,769,490</u>
Deferred Outflows of Resources			
Unamortized loss on defeasance of debt	406,431	-	406,431
Pension related	135,683,848	2,835,787	138,519,635
OPEB related	7,811,270	-	7,811,270
Total deferred outflows of resources	<u>143,901,549</u>	<u>2,835,787</u>	<u>146,737,336</u>
Liabilities			
Accounts payable	4,258,638	43,580	4,302,218
Accrued liabilities	1,155,706	21,937	1,177,643
Accrued interest	689,881	-	689,881
Unearned revenue	872,158	-	872,158
Deposits payable	69,312	20,264	89,576
Due to other governments	-	-	-
Non-current liabilities:			
Due within one year			
Claims and judgments	594,647	-	594,647
Compensated absences	706,207	195	706,402
Long-term lease payable	221,615	-	221,615
Long-term debt	5,354,137	-	5,354,137
Due in more than one year			
Claims and judgments	2,378,588	-	2,378,588
Compensated absences	2,824,830	782	2,825,612
Long-term lease payable	250,178	-	250,178
Long-term debt	146,354,619	-	146,354,619
Net pension liability	115,500,097	2,570,209	118,070,306
Net OPEB liability	107,376,488	-	107,376,488
Total liabilities	<u>388,607,101</u>	<u>2,656,967</u>	<u>391,264,068</u>
Deferred Inflows of Resources			
Pension related	5,350,895	77,275	5,428,170
OPEB related	16,206,760	-	16,206,760
Total deferred inflows of resources	<u>21,557,655</u>	<u>77,275</u>	<u>21,634,930</u>
Net Position			
Net investment in capital assets	115,535,476	8,894,639	124,430,115
Restricted for:			
Public safety	2,132,992	-	2,132,992
Community development	7,489,182	-	7,489,182
Parks and recreation	221,702	-	221,702
Public works	12,391,232	-	12,391,232
Capital improvements	4,273,286	-	4,273,286
Debt service	2,443,670	-	2,443,670
Unrestricted	<u>(196,188,925)</u>	<u>4,414,574</u>	<u>(191,774,351)</u>
Total net position (deficit)	<u>\$ (51,701,385)</u>	<u>\$ 13,309,213</u>	<u>\$ (38,392,172)</u>

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

City of Hawthorne

**Statement of Activities
For the Fiscal Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 11,217,900	\$ 4,373,184	\$ 5,791,181	\$ 55,000
Public safety	59,715,116	3,976,680	1,029,423	-
Community development	15,845,559	1,978,045	5,499,424	9,268,458
Parks and recreation	3,832,039	445,260	-	-
Public works	10,587,442	3,332,426	3,407,896	5,783,931
Interest on long-term debt	4,903,784	-	-	-
Total governmental activities	106,101,840	14,105,595	15,727,924	15,107,389
Business-type activities:				
Airport	1,603,543	845,157	651,948	-
Sewer and storm drain	709,837	1,307,571	-	-
Storm water	-	27,660	-	-
Total business-type activities	2,313,380	2,180,388	651,948	-
Total Primary Government	\$ 108,415,220	\$ 16,285,983	\$ 16,379,872	\$ 15,107,389

General revenues:

Taxes:

- Property taxes
- Sales taxes
- Transient occupancy taxes
- Franchise taxes
- Business license taxes
- Utility users tax
- Miscellaneous revenue
- Gain on sale of assets
- Use of money and property

Transfers in/(out):

Total general revenues and transfers

Change in Net Position

Net Position (Deficit), Beginning

Net Position (Deficit), Ending

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

(continued)

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (998,535)	\$ -	\$ (998,535)
(54,709,013)	-	(54,709,013)
900,368	-	900,368
(3,386,779)	-	(3,386,779)
1,936,811	-	1,936,811
(4,903,784)	-	(4,903,784)
<u>(61,160,932)</u>	<u>-</u>	<u>(61,160,932)</u>
-	(106,438)	(106,438)
-	597,734	597,734
-	27,660	27,660
<u>-</u>	<u>518,956</u>	<u>518,956</u>
<u>(61,160,932)</u>	<u>518,956</u>	<u>(60,641,976)</u>
19,494,231	-	19,494,231
28,627,941	-	28,627,941
5,548,885	-	5,548,885
1,980,644	-	1,980,644
7,851,079	-	7,851,079
6,476,401	-	6,476,401
850,007	36,546	886,553
177,628	-	177,628
999,325	-	999,325
(2,490,447)	2,490,447	-
<u>69,515,694</u>	<u>2,526,993</u>	<u>72,042,687</u>
8,354,762	3,045,949	11,400,711
<u>(60,056,147)</u>	<u>10,263,264</u>	<u>(49,792,883)</u>
<u>\$ (51,701,385)</u>	<u>\$ 13,309,213</u>	<u>\$ (38,392,172)</u>

City of Hawthorne

**Balance Sheet – Governmental Funds
June 30, 2020**

	General	Special Revenue Funds	
		MTA Measure R	Hawthorne Housing Authority
ASSETS			
Cash and investments	\$ 36,683,606	\$ 2,207,282	\$ 566,478
Cash and investments with fiscal agents	-	-	-
Receivables:			
Accounts	7,338,143	-	-
Taxes	188,902	-	-
Interest	28,241	1,515	-
Due from Successor Agency	-	-	-
Due from other funds	2,401,589	-	-
Advances to other funds	-	-	20,318
Inventories	80,632	-	-
Total assets	<u>\$ 46,721,113</u>	<u>\$ 2,208,797</u>	<u>\$ 586,796</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,012,791	\$ 923,443	\$ 25,008
Accrued liabilities	1,039,504	3,220	14,711
Unearned revenue	-	-	-
Deposits payable	25,000	-	-
Due to other funds	-	-	305,057
Advances from other funds	-	-	-
Total liabilities	<u>2,077,295</u>	<u>926,663</u>	<u>344,776</u>
Deferred Inflows of Resources:			
Unavailable revenue	-	-	-
Fund Balances (Deficit):			
Nonspendable	80,632	-	20,318
Restricted	-	1,282,134	221,702
Unassigned	44,563,186	-	-
Total fund balances	<u>44,643,818</u>	<u>1,282,134</u>	<u>242,020</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,721,113</u>	<u>\$ 2,208,797</u>	<u>\$ 586,796</u>

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

(continued)

Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
2019 Pension Obligation Bond		
\$ -	\$ 26,823,016	\$ 66,280,382
7	1,438,752	1,438,759
-	2,368,712	9,706,855
-	6,464	195,366
-	16,412	46,168
-	325,654	325,654
-	-	2,401,589
-	39,285	59,603
-	-	80,632
<u>\$ 7</u>	<u>\$ 31,018,295</u>	<u>\$ 80,535,008</u>
\$ -	\$ 2,002,003	\$ 3,963,245
-	76,840	1,134,275
-	872,158	872,158
-	44,312	69,312
1,668,254	428,278	2,401,589
-	26,413	26,413
<u>1,668,254</u>	<u>3,450,004</u>	<u>8,466,992</u>
-	575,182	575,182
-	-	100,950
-	27,448,228	28,952,064
<u>(1,668,247)</u>	<u>(455,119)</u>	<u>42,439,820</u>
<u>(1,668,247)</u>	<u>26,993,109</u>	<u>71,492,834</u>
<u>\$ 7</u>	<u>\$ 31,018,295</u>	<u>\$ 80,535,008</u>

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City of Hawthorne

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2020

Fund balances of governmental funds		\$ 71,492,834
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.		132,828,510
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	\$ 133,253,359	
Pension related deferred inflows of resources	(5,284,664)	
Other post-employment benefits related deferred outflows of resources	7,811,270	
Other post-employment benefits related deferred inflows of resources	<u>(16,206,760)</u>	119,573,205
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.		
Bonds payable	(149,941,864)	
Compensated absences	(3,479,662)	
Net pension liability	(113,297,229)	
Other post-employment benefits obligation	(107,376,488)	
Capital lease payable	(248,356)	
Loan payable - West Basin	(11,892)	
Section 108 loan payable	<u>(1,755,000)</u>	(376,110,491)
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		406,431
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		575,182
Accrued interest payable for the interest due on long-term debt has not been reported in the governmental funds.		(689,881)
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>222,825</u>
Net position (deficit) of governmental activities		<u>\$ (51,701,385)</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 Fiscal Year Ended June 30, 2020**

	General	Special Revenue Funds	
		MTA Measure R	Hawthorne Housing Authority
Revenues			
Taxes	\$ 72,522,803	\$ -	\$ -
Licenses and permits	2,692,172	-	-
Intergovernmental	1,368,736	1,070,185	11,122,390
Charges for services	2,400,099	-	-
Fines and forfeitures	2,713,391	-	-
Use of money and property	712,702	22,066	16
Contributions	201,000	-	-
Miscellaneous	1,813,002	-	10,137
Total revenues	<u>84,423,905</u>	<u>1,092,251</u>	<u>11,132,543</u>
Expenditures			
Current:			
General government	12,002,579	-	-
Public safety	51,135,361	-	-
Community development	2,284,434	-	10,772,428
Parks and recreation	3,394,445	-	-
Public works	2,221,948	261,501	-
Capital outlay	429,304	813,783	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Bond issuance costs	-	-	-
Total expenditures	<u>71,468,071</u>	<u>1,075,284</u>	<u>10,772,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,955,834</u>	<u>16,967</u>	<u>360,115</u>
Other Financing Sources (Uses)			
Issuance of debt	-	-	-
Proceeds from disposal of assets	6,947	-	-
Transfers in	221,651	-	-
Transfers out	(5,795,150)	(15,591)	(90,937)
Total other financing sources (uses)	<u>(5,566,552)</u>	<u>(15,591)</u>	<u>(90,937)</u>
Net changes in fund balances	7,389,282	1,376	269,178
Fund Balances, Beginning	<u>37,254,536</u>	<u>1,280,758</u>	<u>(27,158)</u>
Fund Balances, Ending	<u>\$ 44,643,818</u>	<u>\$ 1,282,134</u>	<u>\$ 242,020</u>

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

(continued)

<u>Debt Service Fund 2019 Pension Obligation Bond</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 566,068	\$ 73,088,871
-	1,169,667	3,861,839
-	10,646,907	24,208,218
5,811	200,063	2,605,973
-	1,907,872	4,621,263
4,852	680,422	1,420,058
-	4,439,773	4,640,773
-	202,359	2,025,498
<u>10,663</u>	<u>19,813,131</u>	<u>116,472,493</u>
19,988,158	88,994	32,079,731
68,283,275	948,344	120,366,980
9,265,646	2,122,760	24,445,268
7,401,452	-	10,795,897
10,955,881	7,888,398	21,327,728
-	1,165,188	2,408,275
2,245,000	2,473,303	4,718,303
2,617,565	1,076,984	3,694,549
1,112,189	-	1,112,189
<u>121,869,166</u>	<u>15,763,971</u>	<u>220,948,920</u>
<u>(121,858,503)</u>	<u>4,049,160</u>	<u>(104,476,427)</u>
121,865,000	-	121,865,000
-	1,655	8,602
3,169,777	5,031,976	8,423,404
<u>(4,844,521)</u>	<u>(2,073,485)</u>	<u>(12,819,684)</u>
<u>120,190,256</u>	<u>2,960,146</u>	<u>117,477,322</u>
(1,668,247)	7,009,306	13,000,895
-	19,983,803	58,491,939
<u>\$ (1,668,247)</u>	<u>\$ 26,993,109</u>	<u>\$ 71,492,834</u>

City of Hawthorne

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2020

Net changes in fund balances - total governmental funds \$ 13,000,895

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 of capital assets and depreciation expense recorded in the current period. This amount excludes capital acquisitions/disposals and depreciation expense reported in the internal service fund.

Capital additions	\$ 4,459,609	
Capital asset disposals	(1,346,646)	
Depreciation expense, net of deletions of capital assets	(2,674,703)	
Contributed assets	<u>55,000</u>	493,260

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		214,159
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position:

Long-term debt issued	(121,865,000)	
Principal payments on long-term debt	4,363,303	
Principal payments of capital leases	131,667	
Principal payments of notes payable	363,556	
Changes in pension related items	<u>108,052,738</u>	(8,953,736)

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	1,060,303	
Changes in other post-employment benefits related items	(484,978)	
Change in accrued interest	(205,186)	
Amortization of bond discount	(8,498)	
Amortization of bond premium	162,951	
Amortization of deferred amount on refunding	<u>(46,263)</u>	478,329

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>3,121,855</u>
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Changes in net position of governmental activities	<u>\$ 8,354,762</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, 2020

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
Assets					
Current assets:					
Cash and investments	\$ 691,820	\$ 3,119,203	\$ 190,706	\$ 4,001,729	\$ 1,675,974
Receivables:					
Accounts	497,126	124,174	-	621,300	14,258
Advances to other funds	-	-	-	-	310,000
Inventories	-	-	-	-	14,311
Total current assets	<u>1,188,946</u>	<u>3,243,377</u>	<u>190,706</u>	<u>4,623,029</u>	<u>2,014,543</u>
Noncurrent assets:					
Capital assets, not depreciated	37,314	-	-	37,314	-
Capital assets, net of depreciation	6,814,394	2,042,931	-	8,857,325	1,644,953
Total noncurrent assets	<u>6,851,708</u>	<u>2,042,931</u>	<u>-</u>	<u>8,894,639</u>	<u>1,644,953</u>
Total assets	<u>8,040,654</u>	<u>5,286,308</u>	<u>190,706</u>	<u>13,517,668</u>	<u>3,659,496</u>
Deferred Outflows of Resources					
Pension related	<u>1,594,832</u>	<u>1,240,955</u>	<u>-</u>	<u>2,835,787</u>	<u>2,430,489</u>
Liabilities					
Current liabilities:					
Accounts payable	16,474	27,106	-	43,580	295,393
Accrued liabilities	11,887	10,050	-	21,937	21,431
Deposits payable	20,264	-	-	20,264	-
Compensated absences	195	-	-	195	10,275
Advances from other funds	310,000	-	-	310,000	33,190
Claims and judgements payable	-	-	-	-	594,647
Capital lease	-	-	-	-	82,973
Total current liabilities	<u>358,820</u>	<u>37,156</u>	<u>-</u>	<u>395,976</u>	<u>1,037,909</u>
Noncurrent liabilities:					
Compensated absences	782	-	-	782	41,100
Claims and judgements	-	-	-	-	2,378,588
Net pension liability	1,445,472	1,124,737	-	2,570,209	2,202,868
Capital lease	-	-	-	-	140,464
Total noncurrent liabilities	<u>1,446,254</u>	<u>1,124,737</u>	<u>-</u>	<u>2,570,991</u>	<u>4,763,020</u>
Total liabilities	<u>1,805,074</u>	<u>1,161,893</u>	<u>-</u>	<u>2,966,967</u>	<u>5,800,929</u>
Deferred Inflows of Resources					
Pension related	<u>43,459</u>	<u>33,816</u>	<u>-</u>	<u>77,275</u>	<u>66,231</u>
Net Position					
Net investment in capital assets	6,851,708	2,042,931	-	8,894,639	1,421,516
Unrestricted (deficit)	935,245	3,288,623	190,706	4,414,574	(1,198,691)
Total net position	<u>\$ 7,786,953</u>	<u>\$ 5,331,554</u>	<u>\$ 190,706</u>	<u>\$ 13,309,213</u>	<u>\$ 222,825</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 Fiscal Year Ended June 30, 2020

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities - Internal Service Funds
Operating Revenues					
Sales and service charges	\$ 845,157	\$ 1,307,571	\$ 27,660	\$ 2,180,388	\$ 6,959,150
Intergovernmental	651,948	-	-	651,948	-
Miscellaneous	36,546	-	-	36,546	27,769
Total operating revenues	1,533,651	1,307,571	27,660	2,868,882	6,986,919
Operating Expenses					
Administration and general	604,175	431,199	-	1,035,374	1,481,606
Materials and supplies	24,183	24,510	-	48,693	518,028
Contractual services	623,671	129,666	-	753,337	3,465,504
Cost of sales and services	36,468	64,988	-	101,456	-
Depreciation	315,046	59,474	-	374,520	474,785
Total operating expenses	1,603,543	709,837	-	2,313,380	5,939,923
Operating income (loss)	(69,892)	597,734	27,660	555,502	1,046,996
Nonoperating Revenues					
Gain on disposal of assets, net	-	-	-	-	169,026
Net nonoperating revenues	-	-	-	-	169,026
Change in net position (deficit) before transfers	(69,892)	597,734	27,660	555,502	1,216,022
Transfers					
Transfers in	1,467,108	1,141,572	-	2,608,680	2,235,840
Transfers out	(77,376)	(40,857)	-	(118,233)	(330,007)
Total transfers	1,389,732	1,100,715	-	2,490,447	1,905,833
Change in net position	1,319,840	1,698,449	27,660	3,045,949	3,121,855
Net Position					
Net Position (Deficit), Beginning	6,467,113	3,633,105	163,046	10,263,264	(2,899,030)
Net Position, Ending	\$ 7,786,953	\$ 5,331,554	\$ 190,706	\$ 13,309,213	\$ 222,825

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

City of Hawthorne

Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2020

	Airport	Sewer and Storm Drain	Storm Water	Total	Governmental Activities Internal Service Funds
Cash flows from operating activities					
Cash received from customers and users	\$ 1,050,082	\$ 1,352,777	\$ 27,660	\$ 2,430,519	\$ 6,976,149
Cash paid to suppliers for goods and services	(812,382)	(317,886)	-	(1,130,268)	(5,922,693)
Cash paid to employees for services	(1,970,651)	(1,412,479)	-	(3,383,130)	(2,624,020)
Net cash provided by (used for) operating activities	(1,732,951)	(377,588)	27,660	(2,082,879)	(1,570,564)
Cash flows from noncapital financing activities					
Cash paid to other funds	-	-	-	-	(33,190)
Transfer from debt service funds	1,467,108	1,141,572	-	2,608,680	2,235,840
Transfer to debt service funds	(77,376)	(40,857)	-	(118,233)	(54,602)
Transfer to general fund	-	-	-	-	(275,405)
Net cash provided by noncapital financing activities	1,389,732	1,100,715	-	2,490,447	1,872,643
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	-	-	-	-	(224,977)
Proceeds from sale of assets	-	-	-	-	169,026
Payments on capital lease	-	-	-	-	(78,795)
Net cash used for capital and related financing activities	-	-	-	-	(134,746)
Net increase (decrease) in cash and cash equivalents	(343,219)	723,127	27,660	407,568	167,333
Cash and cash equivalents, beginning of year	1,035,039	2,396,076	163,046	3,594,161	1,508,641
Cash and cash equivalents, end of year	\$ 691,820	\$ 3,119,203	\$ 190,706	\$ 4,001,729	\$ 1,675,974
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (69,892)	\$ 597,734	\$ 27,660	\$ 555,502	\$ 1,046,996
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	315,046	59,474	-	374,520	474,785
(Increase) decrease in assets/deferred outflows:					
Accounts receivable	(403,716)	45,206	-	(358,510)	(10,770)
Deferred outflows of resources	(1,419,306)	(1,104,376)	-	(2,523,682)	(2,162,992)
Increase (decrease) in liabilities/deferred inflows:					
Accounts payable	2,742	16,187	-	18,929	106,272
Accrued liabilities	149	3,909	-	4,058	-
Claims and judgements payable	-	-	-	-	(1,064,475)
Unearned revenue	(79,853)	-	-	(79,853)	-
Compensated absences	(83,619)	-	-	(83,619)	9,810
Net pension liability	6,269	4,878	-	11,147	9,554
Deferred inflows of resources	(771)	(600)	-	(1,371)	(1,175)
Total adjustments	(1,663,059)	(975,322)	-	(2,638,381)	(2,617,560)
Net cash provided by (used for) operating activities	\$ (1,732,951)	\$ (377,588)	\$ 27,660	\$ (2,082,879)	\$ (1,570,564)

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

City of Hawthorne

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020**

	Agency Fund	Successor Agency to the Dissolved Redevelopment Agency Private Purpose Trust Fund
	<u>Agency Fund</u>	<u>Private Purpose Trust Fund</u>
Assets		
Cash and investments	\$ 5,252,445	\$ 2,071,914
Receivables:		
Accounts, net	258	-
Taxes	20,802	-
Interest	479	1,314
Restricted assets:		
Cash and investments with fiscal agents	2,802,239	610
Total assets	<u>\$ 8,076,223</u>	<u>2,073,838</u>
Deferred Outflows of Resources		
Deferred amount on refunding		<u>1,157,654</u>
Liabilities		
Accounts payable	\$ 71,886	271,536
Accrued liabilities	-	1,660
Interest payable	-	397,667
Advances from City of Hawthorne	-	45,594,877
Deposits payable	4,633,273	-
Due to bondholders	3,371,064	-
Due to City of Hawthorne	-	325,654
Long-term liabilities:		
Due within one year	-	1,743,386
Due in more than one year	-	57,810,006
Total liabilities	<u>\$ 8,076,223</u>	<u>106,144,786</u>
Fiduciary Net Position (Deficit)		
Unrestricted net position (deficit)		<u>\$ (102,913,294)</u>

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

City of Hawthorne

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020**

	Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund
Revenues	
Taxes	\$ 4,368,354
Use of money and property	14,758
Total revenues	<u>4,383,112</u>
Expenses	
General government	1,304,474
Debt service:	
Interest and fiscal charges	<u>1,907,561</u>
Total expenses	<u>3,212,035</u>
Changes in net position	1,171,077
Net position (deficit) held in trust, beginning	<u>(104,084,371)</u>
Net position (deficit) held in trust, ending	<u>\$ (102,913,294)</u>

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

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**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 Fiscal Year Ended June 30, 2020**

- 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. Internally dedicated resources, such as taxes, are reported as general revenues rather than program 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 Fiscal Year Ended June 30, 2020**

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 Fiscal Year Ended June 30, 2020

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 MTA Measure R Fund is an ongoing maintenance and Capital Improvement Transportation Fund.
- The Hawthorne Housing Authority Special Revenue Fund is used to account for the housing assistance programs for the qualified low-income residents.
- The 2019 Pension Obligation Bond Fund is used to account for the debt service on the 2019 Taxable Pension Obligation Bonds.

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.
- 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.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 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.

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.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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

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, 2020.

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, 2020.

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.

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.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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

Fund Balance Reporting, (continued)

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.

Flow Assumption for Net Position

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 Fiscal Year Ended June 30, 2020**

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 Fiscal Year Ended June 30, 2020**

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, 2020, excluding pension and OPEB related amounts.

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 Fiscal Year Ended June 30, 2020**

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 Fiscal Year Ended June 30, 2020**

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. 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.

GASB 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, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

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.

GASB 65 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, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

City of Hawthorne

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2020

2) CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 71,958,085
Cash and investments with fiscal agents	1,438,759
Statement of fiduciary net position:	
Cash and investments	7,324,359
Cash and investments with fiscal agents	<u>2,802,849</u>
Total	<u>\$ 83,524,052</u>

Cash and investments at June 30, 2020, consisted of the following:

Cash and cash equivalents:	
Petty cash	\$ 3,489
Demand deposits - City	55,609,587
Demand deposits - Successor Agency	<u>710,096</u>
Total cash and cash equivalents	<u>56,323,172</u>
Investments:	
Local Agency Investment Fund	13,093,738
Negotiable Certificates of Deposit	7,127,759
Fidelity Money Market	2,737,774
Held by Bond Trustee	<u>4,241,609</u>
Total investments	<u>27,200,880</u>
Total	<u>\$ 83,524,052</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 Fiscal Year Ended June 30, 2020

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	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Certificate of Deposit	Yes	5 years	30%	None
Medium-Term Notes	Yes	5 years	30%	15%
Money Market Mutual Funds	Yes	N/A	20%	10%
Local Agency Investment Fund	Yes	N/A	None	\$75 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 Fiscal Year Ended June 30, 2020**

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, 2020:

Investment Type	Amount	Minimum Legal Rating	AAA	Not Rated
External Investment Pools -				
Local Agency Investment Fund	\$ 13,093,738	N/A	\$ -	\$ 13,093,738
Negotiable Certificates of Deposits	7,127,759	N/A	7,127,759	-
Fidelity Money Market	2,737,774	N/A	-	2,737,774
Held by Bond Trustee:				
Money Market Mutual Funds	3,514,484		3,514,484	-
Investment Agreements	727,125	N/A	-	727,125
Total	\$ 27,200,880		\$ 10,642,243	\$ 16,558,637

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, 2020, the City deposits (bank balances) were collateralized under California Law.

City of Hawthorne

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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, 2020, 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, 2020, 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	\$ 13,093,738	\$ -	\$ -	\$ 13,093,738
Negotiable Certificates of Deposits	7,127,759	-	-	7,127,759
Fidelity Money Market	2,737,774	-	-	2,737,774
Held by Bond Trustee:				
Money Market Mutual Funds	3,514,484	-	-	3,514,484
Investment Agreements	-	-	727,125	727,125
Total Investments	<u>\$ 26,473,755</u>	<u>\$ -</u>	<u>\$ 727,125</u>	<u>\$ 27,200,880</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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, 2020:

Investments by Fair Value Level	Fair Value Measurement Using			
	Total	Level 1	Level 2	Level 3
Negotiable Certificates of Deposit	\$ 7,127,759	\$ -	\$ 7,127,759	\$ -
Investment Agreements	727,125	-	727,125	-
Total Investments by Fair Value Level	7,854,884	\$ -	\$ 7,854,884	\$ -
Not Subject to the Fair Value Hierarchy:				
Local Agency Investment Fund	13,093,738			
Fidelity Money Market	2,737,774			
Held by Bond Trustee:				
Money Market Mutual Funds	3,514,484			
Total	\$ 27,200,880			

City of Hawthorne

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2020

3) CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2020:

Governmental activities:	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 6,966,028	\$ -	\$ -	\$ 6,966,028
Construction in progress	1,525,926	3,999,563	-	5,525,489
Total capital assets, not being depreciated	8,491,954	3,999,563	-	12,491,517
Capital assets, being depreciated:				
Structures and improvements	55,127,090	-	(4,667)	55,122,423
Machinery and equipment:				
City	21,673,858	348,534	(1,341,979)	20,680,413
Equipment replacement/vehicles	8,510,057	224,977	(2,576,892)	6,158,142
Parking Authority - structures	16,359,554	-	-	16,359,554
Infrastructure	152,582,978	145,496	-	152,728,474
Investment in joint venture (RCC)	7,260,613	21,016	-	7,281,629
Total capital assets, being depreciated	261,514,150	740,023	(3,923,538)	258,330,635
Less accumulated depreciation for:				
Structures and improvements	(30,305,210)	(1,559,587)	4,667	(31,860,130)
Machinery and equipment:				
City	(19,880,891)	(440,476)	1,341,979	(18,979,388)
Equipment replacement/vehicles	(6,615,296)	(474,785)	2,576,892	(4,513,189)
Parking Authority - structures	(16,159,052)	(11,120)	-	(16,170,172)
Infrastructure	(60,267,312)	(1,683,439)	-	(61,950,751)
Investment in joint venture (RCC)	(2,548,332)	(326,727)	-	(2,875,059)
Total accumulated depreciation	(135,776,093)	(4,496,134)	3,923,538	(136,348,689)
Total capital assets, being depreciated, net	125,738,057	(3,756,111)	-	121,981,946
Total governmental activities	\$ 134,230,011	\$ 243,452	\$ -	\$ 134,473,463

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

3) CAPITAL ASSETS, (continued)

Business-type activities:	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
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	3,020,109	-	-	3,020,109
Machinery and equipment	28,130	-	-	28,130
Infrastructure:				
Airport	10,723,022	-	-	10,723,022
Storm and sewer drain	13,032,235	-	-	13,032,235
Total capital assets, being depreciated	<u>26,803,496</u>	<u>-</u>	<u>-</u>	<u>26,803,496</u>
Less accumulated depreciation for:				
Structures and improvements	(1,909,244)	(50,970)	-	(1,960,214)
Machinery and equipment	(28,130)	-	-	(28,130)
Infrastructure:				
Airport	(4,704,447)	(264,076)	-	(4,968,523)
Storm and sewer drain	(10,929,830)	(59,474)	-	(10,989,304)
Total accumulated depreciation	<u>(17,571,651)</u>	<u>(374,520)</u>	<u>-</u>	<u>(17,946,171)</u>
Total capital assets, being depreciated, net	<u>9,231,845</u>	<u>(374,520)</u>	<u>-</u>	<u>8,857,325</u>
Total business-type activities	<u>\$ 9,269,159</u>	<u>\$ (374,520)</u>	<u>\$ -</u>	<u>\$ 8,894,639</u>

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

Governmental Activities:	
General government	\$ 813,119
Public safety	1,268,233
Public works	1,706,052
Community development	83,632
Parks and recreation	150,313
Internal service fund-equipment replacement	474,785
Total depreciation expense – governmental activities	<u>\$ 4,496,134</u>
Business-type Activities:	
Structures and improvements - Airport	\$ 50,970
Infrastructure:	
Airport	264,076
Sewer and storm drain	59,474
Total depreciation expense – business-type activities	<u>\$ 374,520</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

3) CAPITAL ASSETS, (continued)

Assets acquired through capital lease are as follows:

Machinery and equipment	\$ 1,003,640
Less: Accumulated Depreciation	(569,150)
	<u>\$ 434,490</u>

4) INTERFUND ACTIVITY

The following represents the City's interfund activity for the fiscal year ended June 30, 2020.

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, 2020:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 2,401,589	Major Funds	
		Hawthorne Housing Authority	\$ 305,057
		2019 Pension Obligation Bond	1,668,254
		Non-Major Funds:	
		Community Development Block Grant	377,961
		California Office of Traffic Safety	21,907
		Local Law Enforcement Block Grant	28,410
Totals	<u>\$ 2,401,589</u>		<u>\$ 2,401,589</u>

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

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

4) INTERFUND ACTIVITY, (continued)

Advances to/from Other Funds

Receivable Fund	Amount	Payable Fund	Amount
Major Fund:		Non-Major Fund:	
Hawthorne Housing Authority	\$ 20,318	2016 Refunding Bonds	\$ 26,413
Non-Major Funds:		Internal Service Fund:	
Street	39,285	Insurance Reserve	33,190
Internal Service Fund:		Enterprise Fund:	
Equipment Replacement	310,000	Airport	310,000
Totals	\$ 369,603		\$ 369,603

The \$310,000 advance to the Airport Fund from the Equipment Replacement Fund was to assist with the replacement of underground storage tanks.

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. The City refunded the 2005 PERS Bonds in fiscal year 2016-17 and paid back the funds portion of the advance. During the fiscal year ended June 30, 2020, the City made payments toward the other advances wherever possible to reduce the balances.

Advances to Successor Agency

Advances to Successor Agency

Receivable Fund	Payable Fund	Amount
General Fund	Successor Agency	
	Private Purpose Trust Fund	\$ 45,594,877

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 \$26,020,022 of accrued interest) has been reserved as potentially uncollectible as of June 30, 2020.

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

4) INTERFUND ACTIVITY, (continued)

Interfund Transfers

Funds	Transfers in	Transfers out
Major Funds:		
General	\$ 221,651	\$ 5,795,150
MTA Measure R	-	15,591
Hawthorne Housing Authority	-	90,937
2019 Pension Obligation Bond	3,169,777	4,844,521
Non-Major Funds:		
Street Lighting	-	8,846
Gas Tax	-	1,761,065
Street	1,700,000	184,454
ABC Grant Assistance Program	1,526	-
California Office of Traffic Safety	32,783	-
Proposition A	-	24,831
MTA Measure M	-	22,095
Proposition C	-	8,981
California Used Oil Recycling	-	162
California Beverage Container Recycling	-	325
Housing Asset	-	56,671
HOME Grant	-	1,323
CDBG	-	4,732
Public Financing Authority	722,180	-
2016 Refunding Bonds	2,330,135	-
2016 Direct Placement Lease Financing	245,352	-
Internal Service Funds:		
Equipment Replacement	1,011,396	275,405
Insurance Reserve	1,224,444	54,602
Enterprise Funds:		
Airport	1,467,108	77,376
Sewer and Storm Drain	1,141,572	40,857
	<u>\$ 13,267,924</u>	<u>\$ 13,267,924</u>

The transfer from the Equipment Replacement Fund to the General Fund in the amount of \$221,651 was for funds collected from the General Fund through vehicle rental fees.

The transfer from the General Fund in the amount of \$1,001,841 to non-major funds consists of \$722,180 for debt service on the 1997/2011 COP bonds, \$245,352 for debt service on the 2007 SBPRCA Series B bonds and \$34,309 for administrative fees.

City of Hawthorne

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2020

4) INTERFUND ACTIVITY, (continued)

Interfund Transfers, (continued)

The transfer of \$4,844,521 from the 2019 Pension Obligation Bond Fund to the Internal Service Funds and Enterprise Funds was to cover their portion of the pension contribution made in the current fiscal year.

The transfer from the Gas Tax Fund to the Street Fund in the amount of \$1,700,000 was to fund eligible projects and programs in the Street Fund.

5) LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Governmental Funds:					
Revenue bonds - 2011 Series A - direct placement	\$ 2,595,505	\$ -	\$ (608,203)	\$ 1,987,302	\$ 633,172
2016 Direct Placement Lease Financing	2,247,100	-	(180,100)	2,067,000	182,850
2016 Certificates of Participation	25,990,000	-	(1,330,000)	24,660,000	1,360,000
Plus (less) deferred amounts:					
Issuance premium	1,855,490	-	(162,951)	1,692,539	120,624
Issuance discount	(93,475)	-	8,498	(84,977)	8,498
2019 Pension Obligation Bonds - direct placement	-	121,865,000	(2,245,000)	119,620,000	2,685,000
Total bonds payable	<u>32,594,620</u>	<u>121,865,000</u>	<u>(4,517,756)</u>	<u>149,941,864</u>	<u>4,990,144</u>
Notes Payable:					
Governmental Funds:					
Loan payable - West Basin - direct borrowing	20,448	-	(8,556)	11,892	8,993
Section 108 loan payable - direct borrowing	2,110,000	-	(355,000)	1,755,000	355,000
Total notes payable	<u>2,130,448</u>	<u>-</u>	<u>(363,556)</u>	<u>1,766,892</u>	<u>363,993</u>
Total long-term debt	<u>\$ 34,725,068</u>	<u>\$ 121,865,000</u>	<u>\$ (4,881,312)</u>	<u>\$ 151,708,756</u>	<u>\$ 5,354,137</u>

The City has a legal debt limit of 15% of gross assessed valuation, or \$323,655,198, in fiscal year 2019-2020. None of the City's general obligation bonds are applicable to this limit.

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, 2020 is \$2,144,560 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.

City of Hawthorne

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2020

5) LONG-TERM DEBT, (continued)

2011 Series A Revenue Bonds, (continued)

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.

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 633,172	\$ 84,758	\$ 717,930
2022	662,628	57,754	720,382
2023	691,502	14,746	706,248
Total	<u>\$ 1,987,302</u>	<u>\$ 157,258</u>	<u>\$ 2,144,560</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, 2020 is \$2,379,675 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.

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

5) LONG-TERM DEBT, (continued)

2016 Direct Placement Lease Financing, (continued)

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

The total debt service requirements to maturity as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	205,850	34,499	240,349
2026-2030	<u>1,096,000</u>	<u>88,808</u>	<u>1,184,808</u>
Total	<u>\$ 2,067,000</u>	<u>\$ 312,675</u>	<u>\$ 2,379,675</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. Total principal and interest remaining on the bonds as of June 30, 2020 is \$17,003,700 payable through 2031.

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 Fiscal Year Ended June 30, 2020**

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. Total principal and interest remaining on the bonds as of June 30, 2020 is \$13,244,002 payable through 2031.

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 Fiscal Year Ended June 30, 2020**

5) LONG-TERM DEBT, (continued)

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

The total debt service requirements to maturity as of June 30, 2020, are as follows:

Year Ending June 30,	Series A		Series B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	505,800	2,215,000	116,624	2,215,000	622,424
2026-2030	9,860,000	1,774,000	2,515,000	48,181	12,375,000	1,822,181
2031	2,785,000	55,700	-	-	2,785,000	55,700
Total	<u>\$ 12,645,000</u>	<u>\$ 4,358,700</u>	<u>\$ 12,015,000</u>	<u>\$ 1,229,002</u>	<u>\$ 24,660,000</u>	<u>\$ 5,587,702</u>

2019 Pension Obligation Bonds

On September 24, 2019, the City of Hawthorne issued 2019 Taxable Pension Obligation Bonds, Series 2019 in the amount of \$121,865,000. The 2019 Bonds were placed with U.S. Bank National Association. The bonds were issued to (a) finance a portion of the City's unfunded accrued liability to the California Public Employees' Retirement System (CalPERS) for the benefit of the City's employees and to pay a portion of current normal costs, and (b) pay the costs incurred in connection with the issuance of the bonds. The bonds bear variable interest rates ranging from 2.115% to 3.299% and are payable semiannually on June 1 and December 1 of each year, commencing June 1, 2020 until maturity or earlier redemption. The bonds mature in fiscal year 2019. Total principal and interest remaining on the bonds as of June 30, 2020 is \$193,524,261.

The obligations of the City under the Bonds, including the obligation to make all payments of interest and principal when due, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds constitute an indebtedness of the City, the State of California, or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction.

For the purpose of paying the principal of and interest on the Bonds, the City Council has covenanted under the Trust Agreement, to take such actions annually as are necessary or appropriate to cause the debt service on the Bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary appropriations therefor from any legally available funds, including the General Fund, to ensure that sufficient sums are available to pay the annual principal of and interest on the Bonds as the same become due.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

5) LONG-TERM DEBT, (continued)

2019 Pension Obligation Bonds, (continued)

The Bonds maturing on or before June 1, 2029, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on and after June 1, 2030, are subject to optional redemption from any source of available funds of the City, prior to their respective maturities, in whole or in part among maturities as specified by the City, and by lot within a maturity, on any date on or after June 1, 2029, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

The Bonds maturing on June 1, 2039 and June 1, 2044, are also subject to mandatory sinking fund redemption on June 1 in the years, and in the amounts, as set forth in the Official Statement at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

The following events constitute Events of Default under the Trust Agreement: (a) if default shall be made in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; (c) if default shall be made by the City in the observance of any of the covenants, agreements or conditions on its part in the Trust Agreement or in the Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the City; or (d) if the City shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, seeking reorganization of the City under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property. A Bondholder may exercise any remedies available pursuant to the law or the Trust Agreement if an event of default occurs under the Trust Agreement.

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

5) LONG-TERM DEBT, (continued)

2019 Pension Obligation Bonds, (continued)

The total debt service requirements to maturity as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 2,685,000	\$ 3,988,327	\$ 6,673,327
2022	2,740,000	3,931,539	6,671,539
2023	2,800,000	3,872,958	6,672,958
2024	2,865,000	3,810,686	6,675,686
2025	2,930,000	3,744,103	6,674,103
2026-2030	15,800,000	17,564,035	33,364,035
2031-2035	18,230,000	15,132,851	33,362,851
2036-2040	21,525,000	11,833,599	33,358,599
2041-2045	25,730,000	7,643,097	33,373,097
2046-2049	24,315,000	2,383,066	26,698,066
Total	<u>\$ 119,620,000</u>	<u>\$ 73,904,261</u>	<u>\$ 193,524,261</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, 2020 is \$12,433.

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.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

5) LONG-TERM DEBT, (continued)

Loan Payable – West Basin, (continued)

The total debt service requirements to maturity as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 8,993	\$ 489	\$ 9,482
2022	2,899	52	2,951
Total	<u>\$ 11,892</u>	<u>\$ 541</u>	<u>\$ 12,433</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, 2020 is \$2,013,889.

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 Fiscal Year Ended June 30, 2020**

5) LONG-TERM DEBT, (continued)

Section 108 Loan, (continued)

The total debt service requirements to maturity as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 355,000	\$ 93,495	\$ 448,495
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>\$ 1,755,000</u>	<u>\$ 258,889</u>	<u>\$ 2,013,889</u>

6) CAPITAL LEASES

The following is a summary of changes in long-term lease for governmental activities for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Lease Payable:					
Governmental Funds					
Capital lease payable - AT&T	\$ 269,456	\$ -	\$ (112,697)	\$ 156,759	\$ 116,843
Capital lease payable - Ricoh Copier Lease	110,567	-	(18,970)	91,597	21,799
Internal Service Funds					
Capital lease payable - Radio Lease	302,232	-	(78,795)	223,437	82,973
Total capital leases	<u>\$ 682,255</u>	<u>\$ -</u>	<u>\$ (210,462)</u>	<u>\$ 471,793</u>	<u>\$ 221,615</u>

City of Hawthorne

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2020

6) CAPITAL LEASES, (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, 2020:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 116,843	\$ 3,815	\$ 120,658
2022	39,916	304	40,220
Total	<u>\$ 156,759</u>	<u>\$ 4,119</u>	<u>\$ 160,878</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, 2020:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 82,973	\$ 9,619	\$ 92,592
2022	87,373	5,219	92,592
2023	53,091	920	54,011
Total	<u>\$ 223,437</u>	<u>\$ 15,758</u>	<u>\$ 239,195</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

6) CAPITAL LEASES, (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, 2020:

Year Ending June 30,	Principal	Interest	Total
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>\$ 91,597</u>	<u>\$ 24,751</u>	<u>\$ 116,348</u>

7) COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Governmental Funds	\$ 4,539,965	\$ 672,841	\$ (1,733,144)	\$ 3,479,662	\$ 695,932
Internal Service Funds	41,565	13,964	(4,154)	51,375	10,275
Business-Type Activities	84,596	11,072	(94,691)	977	195
Total compensated absences	<u>\$ 4,666,126</u>	<u>\$ 697,877</u>	<u>\$ (1,831,989)</u>	<u>\$ 3,532,014</u>	<u>\$ 706,402</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 Fiscal Year Ended June 30, 2020

8) CLAIMS AND JUDGMENTS

The following is a summary of changes in claims and judgments for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Internal Service Funds:					
Claims and judgements	\$ 4,037,710	\$ 529,798	\$ (1,594,273)	\$ 2,973,235	\$ 594,647

As of June 30, 2020, 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, 2020, total estimated claims payable were \$2,973,235.

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, 2020, the bonds outstanding from these Community Facility Districts totaled \$6,335,000.

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, 2020, the bonds outstanding from this Community Facility District totaled \$2,895,000.

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) (the "District"), 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. On January 23, 2023, the City of Hawthorne, for and on behalf the District, issued the 2020 Special Tax Rending Bonds in the amount of \$9,435,000 to (i) refund the outstanding City of Hawthorne Community Facilities District No. 2006-1 (Three Sixty Degrees @ South Bay) 2006 Special Tax Bonds, (ii) fund a reserve fund for the Bonds, and (iii) pay costs of issuing the Bonds. The Bonds are payable from the proceeds of an annual Special Tax (as defined in the Fiscal Agent Agreement) being levied on certain property located within the District, and from certain funds pledged under the Fiscal Agent Agreement. The Special Tax is being levied according to a rate and method of apportionment of Special Taxes approved in 2006.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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

Interest on the Bonds is payable on March 1 and September 1 of each year, commencing on September 1, 2020. The Bonds are subject to optional redemption and redemption from Special Tax Prepayments prior to their respective maturities. As of June 30, 2020, the bonds outstanding from this Community Facility District totaled \$9,435,000.

Such bonds do not constitute an indebtedness of either the City or the Agency, and are payable solely from special taxes collected from property owners within the Districts. In the opinion of City and Agency officials, these bonds are not payable from any revenues or assets of the City or Agency and none of the full faith and credit of the City, the Agency, the Districts, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded as long-term debt.

Special Tax Refunding Bonds

On August 16, 1995, the Parking Authority issued on behalf of Community Facilities District No. 1 \$10,105,000 Special Tax Refunding Bonds to advance refund the Authority's \$2,025,000 outstanding Lease Revenue Bonds, Series A, and its \$8,080,000 outstanding Refunding Lease Revenue Bonds, Series 1977. The net proceeds of \$9,801,850 plus an additional \$1,400,000 contributed from property owners and \$37,646 of Series A and Series 1977 Lease Revenue Bond sinking fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series A and Series 1977 Lease Revenue Bonds. As a result, the Series A and Series 1977 Lease Revenue Bonds are considered to be defeased and the liabilities for those bonds have been removed from long-term debt. The Special Tax Refunding Bonds were paid in full during the fiscal year ending June 30, 2020.

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 Fiscal Year Ended June 30, 2020**

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, 2020 are presented below:

	Governmental Activities	Business-Type Activities	Total
Net Investment in Capital Assets:			
Capital assets, net of accumulated depreciation	\$ 134,473,463	\$ 8,894,639	\$ 143,368,102
Less capital related debt balances:			
Revenue bonds - 2011 Series A	(1,987,302)	-	(1,987,302)
2016 Direct Placement Lease Financing	(2,067,000)	-	(2,067,000)
2016 Certificate of Participation - Series A	(12,645,000)	-	(12,645,000)
Capital leases payable	(471,793)	-	(471,793)
Loans payable	(1,766,892)	-	(1,766,892)
Total Net Investment in Capital Assets	<u>115,535,476</u>	<u>8,894,639</u>	<u>124,430,115</u>
Restricted for:			
Public safety	2,132,992	-	2,132,992
Community development	7,489,182	-	7,489,182
Parks and recreation	221,702	-	221,702
Public works	12,391,232	-	12,391,232
Capital improvements	4,273,286	-	4,273,286
Debt service	2,443,670	-	2,443,670
Total Restricted	<u>28,952,064</u>	<u>-</u>	<u>28,952,064</u>
Unrestricted	<u>(196,188,925)</u>	<u>4,414,574</u>	<u>(191,774,351)</u>
Total	<u>\$ (51,701,385)</u>	<u>\$ 13,309,213</u>	<u>\$ (38,392,172)</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 Fiscal Year Ended June 30, 2020**

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, 2018 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 two safety plans 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 Fiscal Year Ended June 30, 2020**

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, 2020, 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	11.708%	11.708%
	<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	23.654%	13.786%

Employees Covered

At June 30, 2018 (valuation date), the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	325	223
Inactive employees entitled to but not yet receiving benefits	293	58
Active employees	173	95
Total	<u>791</u>	<u>376</u>

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 total plan contributions are determined through CalPERS' annual actuarial valuation process. 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, 2020, were \$57,022,354.

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, 2020, were \$73,465,481. The actual employer payments of \$5,532,655 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 \$6,947,981 by \$1,415,326, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

11) RETIREMENT PLAN, (continued)

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, 2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%.
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 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, at www.calpers.ca.gov.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 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 cash flows. 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

<u>Asset Class¹</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1 - 10²</u>	<u>Real Return Year 11+³</u>
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	<u>100%</u>		

Change of Assumptions

There were no changes in assumptions.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

11) RETIREMENT PLAN, (continued)

B) Net Pension Liability, (continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 Fiscal Year Ended June 30, 2020**

11) RETIREMENT PLANS, (continued)

C) Proportionate Share of Net Pension Liability

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

The following table shows the changes 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: 6/30/2018 (VD)	\$ 197,982,418	\$ 146,524,489	\$ 51,457,929
Changes Recognized for the Measurement Period:			
• Service Cost	2,467,368	-	2,467,368
• Interest on the Total Pension Liability	13,791,792	-	13,791,792
• Differences between Expected and Actual Experience	(1,116,355)	-	(1,116,355)
• Net Plan to Plan Resource Movement	-	(581)	581
• Contributions from the Employer	-	4,555,596	(4,555,596)
• Contributions from Employees	-	997,444	(997,444)
• Net Investment Income	-	9,470,424	(9,470,424)
• Benefit Payments, including Refunds of Employee Contributions	(10,415,096)	(10,415,096)	-
• Administrative Expense	-	(104,563)	104,563
• Other Miscellaneous Income/(Expense) ¹	-	341	(341)
Net Changes during 2018-19	4,727,709	4,503,565	224,144
Balance at: 6/30/2019 (MD)	\$ 202,710,127	\$ 151,028,054	\$ 51,682,073

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).

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

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 Plan’s 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: 6/30/2018 (MD)	\$ 215,072,114	\$ 153,405,850	\$ 61,666,264
Balance at: 6/30/2019 (MD)	224,818,356	158,430,123	66,388,233
Net Changes during 2018-19	\$ 9,746,242	\$ 5,024,273	\$ 4,721,969

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

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The City’s proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The City’s proportionate share of the net pension liability for the safety Plan as of June 30, 2018 and 2019, was as follows:

	<u>Safety</u>
Proportionate Share of NPL - June 30, 2018	1.05097%
Proportionate Share of NPL - June 30, 2019	1.06348%
Change - Increase	<u>0.01251%</u>

City of Hawthorne

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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	\$ 77,557,000	\$ 51,682,073	\$ 30,284,607
Safety Plan's Net Pension Liability	\$ 97,198,102	\$ 66,388,233	\$ 41,128,967

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 Fiscal Year Ended June 30, 2020**

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 measurement date ending June 30, 2019 is 2.3 years, which was obtained by dividing the total service years of 1,758 (the sum of remaining service lifetimes of the active employees) by 777 (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, 2019, is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

City of Hawthorne

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2020

11) RETIREMENT PLANS, (continued)

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

As of the start of the measurement period (July 1, 2018), the City's total net pension liability was \$113,124,193. For the measurement period ending June 30, 2019 (the measurement date), the City incurred a total pension expense of \$17,766,698. A breakdown of the pension expense and deferred outflows and deferred inflows of resources related to each pension plan is as follows:

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

As of the start of the measurement period (July 1, 2018), the net pension liability is \$51,457,929. For the measurement period ending June 30, 2019 (the measurement date), the City incurred a pension expense of \$6,472,540 for the miscellaneous plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 2,467,368
Interest on the Total Pension Liability	13,791,792
Recognized Changes of Assumptions	593,280
Differences Between Expected and Actual Experience	(1,354,803)
Net Plan to Plan Resource Movement	581
Contributions - Employees	(997,444)
Projected Earnings on Pension Plan Investments	(10,274,589)
Recognized Differences Between Projected and Actual Earnings on Plan Investments	2,142,133
Administrative Expenses	104,563
Other Miscellaneous (Income)/Expense	(341)
Total Pension Expense	\$ 6,472,540

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

As of the start of the measurement period (July 1, 2018), the net pension liability for the safety plans is \$61,666,264. For the measurement period ending June 30, 2019 (the measurement date), the City incurred a pension expense of \$11,294,158 for the safety plan.

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

11) RETIREMENT PLAN, (continued)

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

As of June 30, 2020, 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	\$ -	\$ (840,818)	\$ 4,334,553	\$ -
Changes of Assumptions	-	(115,885)	2,721,138	(531,028)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(597,171)	-	(913,283)
Change in Employer's Proportion	-	-	976,109	(344,169)
Difference in Actual vs Projected Contributions	-	-	-	(2,085,816)
Pension Contributions Subsequent to Measurement Date	57,022,354	-	73,465,481	-
	<u>\$ 57,022,354</u>	<u>\$ (1,553,874)</u>	<u>\$ 81,497,281</u>	<u>\$ (3,874,296)</u>

These amounts above are net of outflows and inflows recognized in the 2018-19 measurement period expense. The \$57,022,354 and \$73,465,481 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, 2020	\$ (142,491)	\$ 3,898,545
2021	(1,379,331)	(521,000)
2022	(192,885)	602,262
2023	160,833	177,697
2024	-	-
2025	-	-
Thereafter	-	-

E) Payable to the Pension Plan

At June 30, 2020, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plans required for the year then ended.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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.

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	256
Inactive employees or beneficiaries currently receiving benefits	264
Inactive employees entitled to, but not yet receiving benefits	<u>59</u>
Total	<u><u>579</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 2019-2020, the City paid \$2,966,771 for other postemployment benefits.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019 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, 2019 that was rolled forward to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions	June 30, 2019 Measurement Date
Actuarial Valuation Date	June 30, 2019
Contribution Policy	No pre-funding
Discount Rate	3.50% at June 30, 2019 (Bond Buyer 20-Bond Index) 3.87% at June 30, 2018 (Bond Buyer 20-Bond Index)
General Inflation	2.75% annually
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2015 Experience Study
Salary increases	Aggregate - 3% annually Merit - CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare – 7.25% for 2021, decreasing to an ultimate rate of 4.00% in 2076. Medicare – 6.3% for 2021, decreasing to an ultimate rate of 4.00% in 2076.
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 Fiscal Year Ended June 30, 2020**

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

Discount Rate

A discount rate of 3.50 percent was used in the valuation for measurement date June 30, 2019.

Changes in the OPEB Liability

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

	(a)	(b)	(a) - (b) = (c)
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019 (6/30/18 measurement date)	\$ 105,254,000	\$ -	\$ 105,254,000
Changes recognized for the measurement period:			
Service cost	3,405,180	-	3,405,180
Interest	4,148,492	-	4,148,492
Differences between expected and actual experience	(8,450,705)	-	(8,450,705)
Changes of assumptions	5,945,521	-	5,945,521
Benefit payments	(2,926,000)	-	(2,926,000)
Net changes	<u>2,122,488</u>	<u>-</u>	<u>2,122,488</u>
Balance at June 30, 2020 (6/30/19 measurement date)	<u>\$ 107,376,488</u>	<u>\$ -</u>	<u>\$ 107,376,488</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, 2019:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB Liability	\$ 127,600,264	\$ 107,376,488	\$ 91,668,485

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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, 2019:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 90,374,009	\$ 107,376,488	\$ 129,486,724

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, 2019 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, 2020, the City recognized OPEB expense of \$3,451,749 with details as follows:

	<u>Total</u>
Service Cost	\$ 3,405,180
Interest on Total OPEB Liability	4,148,492
Administrative Expense	6,000
Recognition of deferred outflows/(inflows)	
Experience	(1,564,945)
Assumptions	<u>(2,542,978)</u>
OPEB Expense	<u>\$ 3,451,749</u>

City of Hawthorne

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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

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

As of fiscal year ended June 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 6,885,760
Changes of assumptions	4,844,499	9,321,000
Contributions to OPEB plan subsequent to the measurement date	<u>2,966,771</u>	<u>-</u>
Total	<u>\$ 7,811,270</u>	<u>\$ 16,206,760</u>

The \$2,966,771 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability in the upcoming year. 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
2021	\$ (4,107,923)
2022	(4,107,923)
2023	(2,206,923)
2024	(753,923)
2025	(185,569)
Thereafter	<u>-</u>
	<u>\$ (11,362,261)</u>

City of Hawthorne

Notes to Basic Financial Statements For the Fiscal Year Ended June 30, 2020

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 \$2,973,235 reported in the Insurance Reserve Fund at June 30, 2020, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Insurance Reserve Fund's claims liability amounts in the fiscal years 2020 and 2019, were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balances</u>
2018-2019	\$ 3,463,756	\$ 2,428,091	\$ (1,854,137)	\$ 4,037,710
2019-2020	4,037,710	529,798	(1,594,273)	2,973,235

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

14) COMMITMENT AND CONTINGENCIES

Litigation

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.

COVID-19 Considerations

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. Although the City's services are considered essential, the City Hall was temporarily closed to the public, certain other services transitioned to online-only and because the City's major revenue sources, including businesses that collect sales taxes, are directly impacted by these events, it is probable that this matter will negatively impact the future revenue of the City. However, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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 2019-2020, the City was assessed \$3,395,844, which was paid to SBRPCA for the operations and maintenance of the consolidated regional public safety services communications system that SBRPCA provides to its member cities.

As of and for the year ended June 30, 2020, SBRPCA's preliminary financial information is as follows:

Net Position	
Total assets	\$ 15,643,007
Total deferred outflows of resources	2,303,885
Total liabilities	(12,071,708)
Total deferred inflows of resources	<u>(971,715)</u>
Total net position	<u>\$ 4,903,469</u>
Change in Net Position	
Operating revenues	\$ 12,842,859
Operating expenses	<u>(16,188,499)</u>
Operating income	(3,345,640)
Nonoperating revenues (expenses)	<u>1,590,362</u>
Change in net position	(1,755,278)
Beginning net position, as restated	<u>6,658,747</u>
Ending net position	<u>\$ 4,903,469</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 Fiscal Year Ended June 30, 2020**

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, 2020</u>
Deferred outflows of resources	
Unamortized loss on defeasance of debt	<u>\$ 406,431</u>
	<u>Governmental Funds at June 30, 2020</u>
Deferred inflows of resources	
Unavailable Revenue - Receivables that were not received within the availability period and were not recognized as revenues	<u>\$ 575,182</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 Fiscal Year Ended June 30, 2020**

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, 2020:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Bonds payable - Direct placement					
Tax allocation bonds	\$ 25,275,000	\$ -	\$ (1,415,000)	\$ 23,860,000	\$ 1,495,000
Plus deferred amounts:					
Issuance premium	4,470,944	-	(248,386)	4,222,558	248,386
Total bonds payable	29,745,944	-	(1,663,386)	28,082,558	1,743,386
Notes payable - Direct borrowing	30,861,438	1,125,000	(515,604)	31,470,834	-
	<u>\$ 60,607,382</u>	<u>\$ 1,125,000</u>	<u>\$ (2,178,990)</u>	<u>\$ 59,553,392</u>	<u>\$ 1,743,386</u>

Tax Allocation Bonds

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 Fiscal Year Ended June 30, 2020

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, 2020, total principal and interest outstanding on this 2016 Tax Allocation Bonds is \$33,975,000.

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, 2020:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,810,000	826,500	2,636,500
2026-2030	5,420,000	3,255,000	8,675,000
2031-2035	6,930,000	1,718,750	8,648,750
2036-2037	<u>3,275,000</u>	<u>165,875</u>	<u>3,440,875</u>
Total	<u>\$ 23,860,000</u>	<u>\$ 10,115,000</u>	<u>\$ 33,975,000</u>

**Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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, 2020, the outstanding balance on this note totaled \$31,470,834.

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 Fiscal Year Ended June 30, 2020**

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 received 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 Fiscal Year Ended June 30, 2020**

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 Fiscal Year Ended June 30, 2020

18) OTHER REQUIRED DISCLOSURES

Deficit in Fund Equity

The following funds have deficits in fund balance or net position at June 30, 2020:

Fund	Amount
Major Governmental Funds:	
2019 Pension Obligation Bond	\$ (1,668,247)
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Gas Tax	(266,311)
California Office of Traffic Safety	(7,864)
Local Law Enforcement Block Grant	(28,410)
Community Development Block Grant	(152,534)
Internal Service Fund:	
Insurance Reserve	(3,063,951)

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

19) SUBSEQUENT EVENT

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

**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 Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 67,515,400	\$ 66,065,400	\$ 72,522,803	\$ 6,457,403
Licenses and permits	2,150,000	2,180,000	2,692,172	512,172
Intergovernmental	1,220,000	1,340,000	1,368,736	28,736
Charges for services	2,175,350	2,400,350	2,400,099	(251)
Fines and forfeitures	2,800,000	2,400,000	2,713,391	313,391
Use of money and property	200,000	400,000	712,702	312,702
Contributions	200,000	200,000	201,000	1,000
Miscellaneous	1,362,274	1,362,274	1,813,002	450,728
Total revenues	<u>77,623,024</u>	<u>76,348,024</u>	<u>84,423,905</u>	<u>8,075,881</u>
Expenditures				
Current:				
General government:				
Mayor and City Council	4,538,554	4,991,609	5,302,702	(311,093)
City clerk	191,716	285,976	273,853	12,123
City manager	1,062,304	991,380	922,231	69,149
City treasurer	41,889	40,089	34,591	5,498
City attorney	775,378	730,033	514,026	216,007
Administrative services	2,115,589	2,341,796	4,955,176	(2,613,380)
Public safety:				
Police	41,563,688	41,001,235	39,690,819	1,310,416
Fire services contract	12,081,778	11,444,542	11,444,542	-
Community development:				
Planning	1,591,004	1,589,229	1,475,994	113,235
Building and safety	1,048,431	1,079,547	808,440	271,107
Parks and recreation	3,942,330	4,019,236	3,394,445	624,791
Public works	2,568,138	2,513,418	2,221,948	291,470
Capital outlay	344,564	456,937	429,304	27,633
Total expenditures	<u>71,865,363</u>	<u>71,485,027</u>	<u>71,468,071</u>	<u>16,956</u>
Excess of revenues over expenditures	<u>5,757,661</u>	<u>4,862,997</u>	<u>12,955,834</u>	<u>8,092,837</u>
Other Financing Sources (Uses)				
Proceeds from disposal of assets	50,000	50,000	6,947	(43,053)
Transfers in	-	221,651	221,651	-
Transfers out	(5,770,266)	(9,463,587)	(5,795,150)	3,668,437
Total other financing sources (uses)	<u>(5,720,266)</u>	<u>(9,191,936)</u>	<u>(5,566,552)</u>	<u>3,625,384</u>
Net change in fund balance	37,395	(4,328,939)	7,389,282	11,718,221
Fund Balance, Beginning	<u>37,254,536</u>	<u>37,254,536</u>	<u>37,254,536</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 37,291,931</u>	<u>\$ 32,925,597</u>	<u>\$ 44,643,818</u>	<u>\$ 11,718,221</u>

Required Supplementary Information
Major Special Revenue Funds

Major Special Revenue Funds

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

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

City of Hawthorne

**Budgetary Comparison Schedule
MTA Measure R
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,145,859	\$ 1,145,859	\$ 1,070,185	\$ (75,674)
Use of money and property	3,000	3,000	22,066	19,066
Total revenues	<u>1,148,859</u>	<u>1,148,859</u>	<u>1,092,251</u>	<u>(56,608)</u>
Expenditures				
Current:				
Public works	284,311	282,087	261,501	20,586
Capital outlay	830,000	830,000	813,783	16,217
Total expenditures	<u>1,114,311</u>	<u>1,112,087</u>	<u>1,075,284</u>	<u>36,803</u>
Excess of revenues over expenditures	<u>34,548</u>	<u>36,772</u>	<u>16,967</u>	<u>(19,805)</u>
Other Financing Uses				
Transfers out	(8,046)	(28,073)	(15,591)	12,482
Total other financing uses	<u>(8,046)</u>	<u>(28,073)</u>	<u>(15,591)</u>	<u>12,482</u>
Net change in fund balance	26,502	8,699	1,376	(7,323)
Fund Balance, Beginning	<u>1,280,758</u>	<u>1,280,758</u>	<u>1,280,758</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,307,260</u>	<u>\$ 1,289,457</u>	<u>\$ 1,282,134</u>	<u>\$ (7,323)</u>

City of Hawthorne

**Budgetary Comparison Schedule
Hawthorne Housing Authority
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 10,325,800	\$ 10,457,674	\$ 11,122,390	\$ 664,716
Use of money and property	-	-	16	16
Miscellaneous	50,000	50,000	10,137	(39,863)
Total revenues	<u>10,375,800</u>	<u>10,507,674</u>	<u>11,132,543</u>	<u>624,869</u>
Expenditures				
Current:				
Community development	10,057,112	10,188,986	10,772,428	(583,442)
Total expenditures	<u>10,057,112</u>	<u>10,188,986</u>	<u>10,772,428</u>	<u>(583,442)</u>
Excess of revenues over expenditures	<u>318,688</u>	<u>318,688</u>	<u>360,115</u>	<u>41,427</u>
Other Financing Uses				
Transfers out	<u>(34,687)</u>	<u>(118,473)</u>	<u>(90,937)</u>	<u>27,536</u>
Total other financing uses	<u>(34,687)</u>	<u>(118,473)</u>	<u>(90,937)</u>	<u>27,536</u>
Net change in fund balance	284,001	200,215	269,178	68,963
Fund Balance (Deficit), Beginning	<u>(27,158)</u>	<u>(27,158)</u>	<u>(27,158)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 256,843</u>	<u>\$ 173,057</u>	<u>\$ 242,020</u>	<u>\$ 68,963</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)
Net 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 Payroll³	\$ 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. Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. 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.

³ Includes one year's payroll growth using 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-19; 3.00 percent payroll growth assumption for fiscal years ended June 30, 2014-17.

Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: There were no changes in assumptions in 2019. 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 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. 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	Measurement Period 2018-19
\$ 2,423,798	\$ 2,499,955	\$ 2,467,368
13,232,559	13,468,820	13,791,792
(1,869,811)	(1,608,731)	(1,116,355)
10,775,154	(888,445)	-
<u>(9,562,803)</u>	<u>(10,222,978)</u>	<u>(10,415,096)</u>
14,998,897	3,248,621	4,727,709
179,734,900	194,733,797	197,982,418
<u>\$ 194,733,797</u>	<u>\$ 197,982,418</u>	<u>\$ 202,710,127</u>
\$ 3,304,427	\$ 3,987,019	\$ 4,555,596
973,001	990,915	997,444
14,402,918	11,595,557	9,470,424
(9,562,803)	(10,222,978)	(10,415,096)
-	(341)	(581)
(194,723)	(219,421)	(104,563)
-	(416,685)	341
<u>8,922,820</u>	<u>5,714,066</u>	<u>4,503,565</u>
<u>131,887,603</u>	<u>140,810,423</u>	<u>146,524,489</u>
<u>\$ 140,810,423</u>	<u>\$ 146,524,489</u>	<u>\$ 151,028,054</u>
<u>\$ 53,923,374</u>	<u>\$ 51,457,929</u>	<u>\$ 51,682,073</u>
72.31%	74.01%	74.50%
\$ 12,670,141	\$ 12,808,459	\$ 12,552,747
425.59%	401.75%	411.72%

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)	-	12,552,747	36.29%
6/30/2020	6/30/2019	5,392,780	(5,022,354)	(51,629,574)	10,933,588	49.32%

*Historical information is required only for measurement periods for which GASB 68 is applicable. Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. 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 2019-20 were from the June 30, 2018 Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2017 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2017 Funding Valuation Report.
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.375% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 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 Proportionate Share of the Collective Net Pension Liability as a percentage of the Employer's Covered Payroll</u>	<u>Pension Plan's Fiduciary Net Position as a percentage of the Total Pension Liability</u>
6/30/2014	0.56329%	\$ 35,050,308	\$ 9,859,032	355.51%	81.42%
6/30/2015	0.60260%	41,362,512	9,229,395	448.16%	78.28%
6/30/2016	0.61630%	53,325,378	8,569,976	622.23%	72.80%
6/30/2017	0.61251%	60,744,172	7,590,002	800.32%	70.97%
6/30/2018	0.63994%	61,666,264	10,129,496	608.78%	71.33%
6/30/2019	0.64788%	66,388,233	8,106,797	818.92%	70.47%

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. Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. 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%
6/30/2020	6/30/2019	6,347,166	(73,465,481)	(67,118,315)	8,242,343	77.01%

*Historical information is required only for measurement periods for which GASB 68 is applicable. Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation. 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: There were no changes in assumptions in 2019. 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 2019. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes in the discount rate. 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	2019-20	2018-19	2017-18
	2018-19	2017-18	2016-17
Total OPEB Liability			
Service cost	\$ 3,405,180	\$ 3,574,000	\$ 4,251,000
Interest	4,148,492	3,863,000	3,360,000
Differences between expected and actual experience	(8,450,705)	-	-
Changes of assumptions	5,945,521	(5,105,000)	(14,185,000)
Benefit payments	(2,926,000)	(2,806,000)	(2,713,000)
Net change in total OPEB liability	2,122,488	(474,000)	(9,287,000)
Total OPEB liability - beginning	105,254,000	105,728,000	115,015,000
Total OPEB liability - ending (a)	107,376,488	105,254,000	105,728,000
Plan Fiduciary Net Position			
Contributions – employer	2,926,000	2,806,000	2,713,000
Net investment income	-	-	-
Benefit payments	(2,926,000)	(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)	\$ 107,376,488	\$ 105,254,000	\$ 105,728,000
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered-employee payroll ⁽¹⁾	\$ 25,373,487	\$ 25,246,508	\$ 24,186,000
Net OPEB liability as a percentage of covered-employee payroll ⁽¹⁾	423.2%	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.

⁽¹⁾ Covered-employee payroll represented above is based on covered-employee payroll provided by the employer. GASB 75 defines covered-employee payroll as the total payroll of employees that are provided OPEBs through the OPEB plan. Contributions are not based on a measure of pay, therefore, covered-employee payroll is used in this schedule.

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 following Special Revenue Funds: 1) Homeless Prevention and Rapid Re-housing Program (HPRP); 2) Alcoholic Beverage Control Grant Assistance Program; 3) Edward Byrne Memorial Justice Assistance Program; and 4) Hawthorne Blvd. Mobility Improvement Program.

City of Hawthorne

Notes to Required Supplementary Information June 30, 2020

Excess of Expenditures over Appropriations

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

Fund	Appropriations	Expenditures	Excess
Major Governmental Fund			
General Fund:			
General government:			
Mayor and city council	\$ 4,991,609	\$ 5,302,702	\$ (311,093)
Administrative services	2,341,796	4,955,176	(2,613,380)
Special Revenue Fund:			
Hawthorne Housing Authority			
Community development	10,188,986	10,772,428	(583,442)
Nonmajor Governmental Funds			
Special Revenue Fund:			
Street Lighting			
Public works	695,741	724,967	(29,226)
Local Law Enforcement Block Grant			
Public safety	-	3	(3)
Proposition C			
Capital outlay	207,066	218,849	(11,783)
Housing Asset			
General government	-	73,862	(73,862)
Community Development Block Grant			
Community development	1,008,456	1,348,559	(340,103)
Capital Projects Fund:			
Development Impact:			
Community development	804	3,829	(3,025)
Interest and fiscal charges	479,912	872,814	(392,902)

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 2009 Street Improvements Special Revenue 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.

Non-Major Governmental Funds, Continued)

Special Revenue Funds, (continued)

The Proposition A Fund is used to account for revenues 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.

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 Hawthorne Blvd Mobility Improvement Program Fund is used to account for the project that will improve the storm drain 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.

The Housing Asset Fund accounts 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.

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.

Capital Projects Fund

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

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

Debt Service Funds

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

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

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

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

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020**

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
ASSETS				
Cash and investments	\$ 99,412	\$ 369,615	\$ 2,051,744	\$ 1,701,829
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	232,360	64,114	20,315
Taxes	4,430	-	2,034	-
Interest	62	334	1,324	-
Due from Successor Agency	-	-	-	-
Advances to other funds	-	-	39,285	-
Total assets	<u>\$ 103,904</u>	<u>\$ 602,309</u>	<u>\$ 2,158,501</u>	<u>\$ 1,722,144</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 68,950	\$ 856,970	\$ 79,349	\$ 53,519
Accrued liabilities	1,805	11,650	27,930	4,981
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>70,755</u>	<u>868,620</u>	<u>107,279</u>	<u>58,500</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficit):				
Restricted	33,149	-	2,051,222	1,663,644
Unassigned	-	(266,311)	-	-
Total fund balances	<u>33,149</u>	<u>(266,311)</u>	<u>2,051,222</u>	<u>1,663,644</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 103,904</u>	<u>\$ 602,309</u>	<u>\$ 2,158,501</u>	<u>\$ 1,722,144</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	2009 Street Improvements	
\$ -	\$ 469,011	\$ -	\$ 17	\$ -	\$ 3,354,794	
-	-	-	-	-	-	
-	-	29,771	-	-	1,598,160	
-	-	-	-	-	-	
-	337	-	-	-	2,350	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>\$ -</u>	<u>\$ 469,348</u>	<u>\$ 29,771</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 4,955,304</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158,902	
-	-	7,864	17	-	13	
-	-	-	-	-	-	
-	-	21,907	-	28,410	-	
-	-	-	-	-	-	
<u>-</u>	<u>-</u>	<u>29,771</u>	<u>17</u>	<u>28,410</u>	<u>158,915</u>	
-	-	7,864	-	-	241,664	
-	469,348	-	-	-	4,554,725	
-	-	(7,864)	-	(28,410)	-	
<u>-</u>	<u>469,348</u>	<u>(7,864)</u>	<u>-</u>	<u>(28,410)</u>	<u>4,554,725</u>	
<u>\$ -</u>	<u>\$ 469,348</u>	<u>\$ 29,771</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 4,955,304</u>	

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020**

	Special Revenue Funds			
	Proposition A	MTA Measure M	Proposition C	Air Quality
ASSETS				
Cash and investments	\$ 1,801,617	\$ 839,836	\$ 2,114,142	\$ 128,528
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	-	-	-	27,495
Taxes	-	-	-	-
Interest	1,290	550	1,437	84
Due from successor agency	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	<u>\$ 1,802,907</u>	<u>\$ 840,386</u>	<u>\$ 2,115,579</u>	<u>\$ 156,107</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 222,019	\$ 392,863	\$ 48,000	\$ 40
Accrued liabilities	4,948	4,354	2,493	-
Unearned revenue	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>226,967</u>	<u>397,217</u>	<u>50,493</u>	<u>40</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficit):				
Restricted	1,575,940	443,169	2,065,086	156,067
Unassigned	-	-	-	-
Total fund balances	<u>1,575,940</u>	<u>443,169</u>	<u>2,065,086</u>	<u>156,067</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,802,907</u>	<u>\$ 840,386</u>	<u>\$ 2,115,579</u>	<u>\$ 156,107</u>

(continued)

Special Revenue Funds				
California Used Oil Recycling	California Beverage Container Recycling	Hawthorne Blvd Mobility Improvement Program	CATV Peg	Housing Asset
\$ 147,626	\$ 163,343	\$ 222,769	\$ 346,534	\$ 6,968,875
-	-	-	-	-
-	-	-	28,802	3,850
-	-	-	-	-
103	105	156	-	4,908
-	-	-	-	325,654
-	-	-	-	-
<u>\$ 147,729</u>	<u>\$ 163,448</u>	<u>\$ 222,925</u>	<u>\$ 375,336</u>	<u>\$ 7,303,287</u>
\$ -	\$ -	\$ -	\$ -	\$ 13,444
-	-	-	-	9,442
-	-	-	-	-
-	-	-	-	26,415
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,301</u>
-	-	-	-	325,654
147,729	163,448	222,925	375,336	6,928,332
-	-	-	-	-
<u>147,729</u>	<u>163,448</u>	<u>222,925</u>	<u>375,336</u>	<u>6,928,332</u>
<u>\$ 147,729</u>	<u>\$ 163,448</u>	<u>\$ 222,925</u>	<u>\$ 375,336</u>	<u>\$ 7,303,287</u>

City of Hawthorne

**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020**

	Special Revenue Funds			Capital Projects Fund
	HOME Grant	Community Development Block Grant	HPRP Funds	Development Impact
ASSETS				
Cash and investments	\$ 1,070,572	\$ -	\$ 15,153	\$ 3,926,870
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	57,104	306,741	-	-
Taxes	-	-	-	-
Interest	-	-	-	2,770
Due from successor agency	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	<u>\$ 1,127,676</u>	<u>\$ 306,741</u>	<u>\$ 15,153</u>	<u>\$ 3,929,640</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,578	\$ 62,679	\$ -	\$ 31,690
Accrued liabilities	605	738	-	-
Unearned revenue	872,158	-	-	-
Deposits payable	-	17,897	-	-
Due to other funds	-	377,961	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>886,341</u>	<u>459,275</u>	<u>-</u>	<u>31,690</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances (Deficit):				
Restricted	241,335	-	15,153	3,897,950
Unassigned	-	(152,534)	-	-
Total fund balances	<u>241,335</u>	<u>(152,534)</u>	<u>15,153</u>	<u>3,897,950</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,127,676</u>	<u>\$ 306,741</u>	<u>\$ 15,153</u>	<u>\$ 3,929,640</u>

(continued)

Debt Service Funds			
Public Financing Authority	2016 Refunding Bonds	2016 Direct Placement Lease Financing	Total Nonmajor Governmental Funds
\$ 261,956	\$ 732,674	\$ 36,099	\$ 26,823,016
1,438,719	33	-	1,438,752
-	-	-	2,368,712
-	-	-	6,464
183	419	-	16,412
-	-	-	325,654
-	-	-	39,285
<u>\$ 1,700,858</u>	<u>\$ 733,126</u>	<u>\$ 36,099</u>	<u>\$ 31,018,295</u>
\$ -	-	\$ -	\$ 2,002,003
-	-	-	76,840
-	-	-	872,158
-	-	-	44,312
-	-	-	428,278
-	26,413	-	26,413
<u>-</u>	<u>26,413</u>	<u>-</u>	<u>3,450,004</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>575,182</u>
1,700,858	706,713	36,099	27,448,228
-	-	-	(455,119)
<u>1,700,858</u>	<u>706,713</u>	<u>36,099</u>	<u>26,993,109</u>
<u>\$ 1,700,858</u>	<u>\$ 733,126</u>	<u>\$ 36,099</u>	<u>\$ 31,018,295</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2020**

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
Revenues				
Taxes	\$ 566,068	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	150,000	3,506,663	104,640	-
Charges for services	-	-	193,583	-
Fines and forfeitures	-	-	-	1,907,872
Use of money and property	407	1,765	22,315	-
Contributions	-	-	-	160,247
Miscellaneous	-	-	198,144	-
Total revenues	<u>716,475</u>	<u>3,508,428</u>	<u>518,682</u>	<u>2,068,119</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	684,030
Community development	-	-	-	-
Public works	724,967	1,665,878	1,730,325	-
Capital outlay	-	-	-	216,025
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>724,967</u>	<u>1,665,878</u>	<u>1,730,325</u>	<u>900,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,492)</u>	<u>1,842,550</u>	<u>(1,211,643)</u>	<u>1,168,064</u>
Other Financing Sources (Uses)				
Proceeds from disposal of assets	-	-	-	1,655
Transfers in	-	-	1,700,000	-
Transfers out	(8,846)	(1,761,065)	(184,454)	-
Total other financing sources (uses)	<u>(8,846)</u>	<u>(1,761,065)</u>	<u>1,515,546</u>	<u>1,655</u>
Net change in fund balances	(17,338)	81,485	303,903	1,169,719
Fund Balances (Deficit), Beginning	<u>50,487</u>	<u>(347,796)</u>	<u>1,747,319</u>	<u>493,925</u>
Fund Balances (Deficit), Ending	<u>\$ 33,149</u>	<u>\$ (266,311)</u>	<u>\$ 2,051,222</u>	<u>\$ 1,663,644</u>

(continued)

Special Revenue Funds				
ABC Grant Assistance Program	COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	2009 Street Improvements
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	148,938	159,630	-	147,757
-	-	-	-	-
-	-	-	-	-
-	5,542	-	-	26,333
-	-	-	-	4,279,526
-	-	-	-	-
-	154,480	159,630	-	4,453,616
-	-	-	-	-
-	100,000	164,311	3	-
-	-	-	-	-
-	-	-	-	883,539
-	-	-	-	-
-	-	-	-	-
-	100,000	164,311	3	883,539
-	54,480	(4,681)	(3)	3,570,077
-	-	-	-	-
1,526	-	32,783	-	-
-	-	-	-	-
1,526	-	32,783	-	-
1,526	54,480	28,102	(3)	3,570,077
(1,526)	414,868	(35,966)	(28,407)	984,648
\$ -	\$ 469,348	\$ (7,864)	\$ (28,410)	\$ 4,554,725

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2020**

	Special Revenue Funds			
	Proposition A	MTA Measure M	Proposition C	Air Quality
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,722,669	1,204,303	1,428,957	109,453
Charges for services	6,480	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	21,343	4,929	23,608	1,373
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,750,492</u>	<u>1,209,232</u>	<u>1,452,565</u>	<u>110,826</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	104,526
Public works	1,509,831	690,510	678,871	-
Capital outlay	-	-	218,849	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,509,831</u>	<u>690,510</u>	<u>897,720</u>	<u>104,526</u>
Excess (deficiency) of revenues over (under) expenditures	<u>240,661</u>	<u>518,722</u>	<u>554,845</u>	<u>6,300</u>
Other Financing Sources (Uses)				
Proceeds from disposal of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(24,831)	(22,095)	(8,981)	-
Total other financing sources (uses)	<u>(24,831)</u>	<u>(22,095)</u>	<u>(8,981)</u>	<u>-</u>
Net change in fund balances	215,830	496,627	545,864	6,300
Fund Balances (Deficit), Beginning	<u>1,360,110</u>	<u>(53,458)</u>	<u>1,519,222</u>	<u>149,767</u>
Fund Balances (Deficit), Ending	<u>\$ 1,575,940</u>	<u>\$ 443,169</u>	<u>\$ 2,065,086</u>	<u>\$ 156,067</u>

(continued)

Special Revenue Funds				
California Used Oil Recycling	California Beverage Container Recycling	Hawthorne Blvd Mobility Improvement Program	CATV Peg	Housing Asset
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	112,151	-
-	21,762	-	-	-
-	-	-	-	-
-	-	-	-	-
1,833	1,483	2,741	-	463,231
-	-	-	-	-
-	-	-	-	-
<u>1,833</u>	<u>23,245</u>	<u>2,741</u>	<u>112,151</u>	<u>463,231</u>
-	9,642	-	-	73,862
-	-	-	-	-
-	-	-	-	457,090
4,471	-	6	-	-
-	-	-	25,446	-
-	-	-	-	-
-	-	-	-	-
<u>4,471</u>	<u>9,642</u>	<u>6</u>	<u>25,446</u>	<u>530,952</u>
<u>(2,638)</u>	<u>13,603</u>	<u>2,735</u>	<u>86,705</u>	<u>(67,721)</u>
-	-	-	-	-
-	-	-	-	-
<u>(162)</u>	<u>(325)</u>	<u>-</u>	<u>-</u>	<u>(56,671)</u>
<u>(162)</u>	<u>(325)</u>	<u>-</u>	<u>-</u>	<u>(56,671)</u>
(2,800)	13,278	2,735	86,705	(124,392)
<u>150,529</u>	<u>150,170</u>	<u>220,190</u>	<u>288,631</u>	<u>7,052,724</u>
<u>\$ 147,729</u>	<u>\$ 163,448</u>	<u>\$ 222,925</u>	<u>\$ 375,336</u>	<u>\$ 6,928,332</u>

City of Hawthorne

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2020**

	Special Revenue Funds			Capital Projects Fund
	HOME Grant	Community Development Block Grant	HPRP Funds	Development Impact
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	1,057,516
Intergovernmental	73,309	1,868,826	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	45,000	-	-	50,447
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>118,309</u>	<u>1,868,826</u>	<u>-</u>	<u>1,107,963</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	208,756	1,348,559	-	3,829
Public works	-	-	-	-
Capital outlay	-	-	-	704,868
Debt service:				
Principal retirement	-	355,000	-	-
Interest and fiscal charges	-	46,894	-	-
Total expenditures	<u>208,756</u>	<u>1,750,453</u>	<u>-</u>	<u>708,697</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,447)</u>	<u>118,373</u>	<u>-</u>	<u>399,266</u>
Other Financing Sources (Uses)				
Proceeds from disposal of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(1,323)	(4,732)	-	-
Total other financing sources (uses)	<u>(1,323)</u>	<u>(4,732)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(91,770)	113,641	-	399,266
Fund Balances (Deficit), Beginning	<u>333,105</u>	<u>(266,175)</u>	<u>15,153</u>	<u>3,498,684</u>
Fund Balances (Deficit), Ending	<u>\$ 241,335</u>	<u>\$ (152,534)</u>	<u>\$ 15,153</u>	<u>\$ 3,897,950</u>

(continued)

Debt Service Funds			
Public Financing Authority	2016 Refunding Bonds	2016 Direct Placement Lease Financing	Total
\$ -	\$ -	\$ -	\$ 566,068
-	-	-	1,169,667
-	-	-	10,646,907
-	-	-	200,063
-	-	-	1,907,872
6,024	1,672	376	680,422
-	-	-	4,439,773
-	4,215	-	202,359
<u>6,024</u>	<u>5,887</u>	<u>376</u>	<u>19,813,131</u>
5,286	-	204	88,994
-	-	-	948,344
-	-	-	2,122,760
-	-	-	7,888,398
-	-	-	1,165,188
608,203	1,330,000	180,100	2,473,303
97,728	872,814	59,548	1,076,984
<u>711,217</u>	<u>2,202,814</u>	<u>239,852</u>	<u>15,763,971</u>
<u>(705,193)</u>	<u>(2,196,927)</u>	<u>(239,476)</u>	<u>4,049,160</u>
-	-	-	1,655
722,180	2,330,135	245,352	5,031,976
-	-	-	(2,073,485)
<u>722,180</u>	<u>2,330,135</u>	<u>245,352</u>	<u>2,960,146</u>
16,987	133,208	5,876	7,009,306
<u>1,683,871</u>	<u>573,505</u>	<u>30,223</u>	<u>19,983,803</u>
<u>\$ 1,700,858</u>	<u>\$ 706,713</u>	<u>\$ 36,099</u>	<u>\$ 26,993,109</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Street Lighting Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 576,000	\$ 576,000	\$ 566,068	\$ (9,932)
Intergovernmental	150,000	150,000	150,000	-
Use of money and property	200	200	407	207
Total revenues	<u>726,200</u>	<u>726,200</u>	<u>716,475</u>	<u>(9,725)</u>
Expenditures				
Current:				
Public works	697,516	695,741	724,967	(29,226)
Total expenditures	<u>697,516</u>	<u>695,741</u>	<u>724,967</u>	<u>(29,226)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,684</u>	<u>30,459</u>	<u>(8,492)</u>	<u>(38,951)</u>
Other Financing Uses				
Transfers out	(3,940)	(14,012)	(8,846)	5,166
Total other financing uses	<u>(3,940)</u>	<u>(14,012)</u>	<u>(8,846)</u>	<u>5,166</u>
Net change in fund balance	24,744	16,447	(17,338)	(33,785)
Fund Balance, Beginning	<u>50,487</u>	<u>50,487</u>	<u>50,487</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 75,231</u>	<u>\$ 66,934</u>	<u>\$ 33,149</u>	<u>\$ (33,785)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Gas Tax Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 3,772,804	\$ 3,772,804	\$ 3,506,663	\$ (266,141)
Use of money and property	-	-	1,765	1,765
Total revenues	<u>3,772,804</u>	<u>3,772,804</u>	<u>3,508,428</u>	<u>(264,376)</u>
Expenditures				
Current:				
Public works	1,743,863	1,738,472	1,665,878	72,594
Total expenditures	<u>1,743,863</u>	<u>1,738,472</u>	<u>1,665,878</u>	<u>72,594</u>
Excess of revenues over expenditures	<u>2,028,941</u>	<u>2,034,332</u>	<u>1,842,550</u>	<u>(191,782)</u>
Other Financing Uses				
Transfers out	<u>(1,929,738)</u>	<u>(1,781,208)</u>	<u>(1,761,065)</u>	<u>20,143</u>
Total other financing uses	<u>(1,929,738)</u>	<u>(1,781,208)</u>	<u>(1,761,065)</u>	<u>20,143</u>
Net change in fund balance	99,203	253,124	81,485	(171,639)
Fund Balance (Deficit), Beginning	<u>(347,796)</u>	<u>(347,796)</u>	<u>(347,796)</u>	<u>-</u>
Fund Balance (Deficit), Ending	<u>\$ (248,593)</u>	<u>\$ (94,672)</u>	<u>\$ (266,311)</u>	<u>\$ (171,639)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Street Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 95,078	\$ 95,078	\$ 104,640	\$ 9,562
Charges for services	193,000	193,000	193,583	583
Use of money and property	3,000	3,000	22,315	19,315
Miscellaneous	170,000	170,000	198,144	28,144
Total revenues	<u>461,078</u>	<u>461,078</u>	<u>518,682</u>	<u>57,604</u>
Expenditures				
Current:				
Public works	<u>2,276,418</u>	<u>2,263,590</u>	<u>1,730,325</u>	<u>533,265</u>
Total expenditures	<u>2,276,418</u>	<u>2,263,590</u>	<u>1,730,325</u>	<u>533,265</u>
Deficiency of revenues under expenditures	<u>(1,815,340)</u>	<u>(1,802,512)</u>	<u>(1,211,643)</u>	<u>590,869</u>
Other Financing Sources (Uses)				
Transfers in	1,900,000	1,700,000	1,700,000	-
Transfers out	<u>(75,637)</u>	<u>(217,063)</u>	<u>(184,454)</u>	<u>32,609</u>
Total other financing sources (uses)	<u>1,824,363</u>	<u>1,482,937</u>	<u>1,515,546</u>	<u>32,609</u>
Net change in fund balance	9,023	(319,575)	303,903	623,478
Fund Balance, Beginning	<u>1,747,319</u>	<u>1,747,319</u>	<u>1,747,319</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,756,342</u>	<u>\$ 1,427,744</u>	<u>\$ 2,051,222</u>	<u>\$ 623,478</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Asset Forfeiture Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 1,040,000	\$ 1,040,000	\$ 1,907,872	\$ 867,872
Contributions	3,400,602	3,400,602	160,247	(3,240,355)
Total revenues	<u>4,440,602</u>	<u>4,440,602</u>	<u>2,068,119</u>	<u>(2,372,483)</u>
Expenditures				
Current:				
Public safety	4,090,602	5,481,912	684,030	4,797,882
Capital outlay	350,000	456,630	216,025	240,605
Total expenditures	<u>4,440,602</u>	<u>5,938,542</u>	<u>900,055</u>	<u>5,038,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,497,940)</u>	<u>1,168,064</u>	<u>2,666,004</u>
Other Financing Sources				
Proceeds from disposal of assets	-	-	1,655	1,655
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,655</u>	<u>1,655</u>
Net change in fund balance	-	(1,497,940)	1,169,719	2,667,659
Fund Balance, Beginning	<u>493,925</u>	<u>493,925</u>	<u>493,925</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 493,925</u>	<u>\$ (1,004,015)</u>	<u>\$ 1,663,644</u>	<u>\$ 2,667,659</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
COPS Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 148,938	\$ (51,062)
Use of money and property	600	600	5,542	4,942
Total revenues	<u>200,600</u>	<u>200,600</u>	<u>154,480</u>	<u>(46,120)</u>
Expenditures				
Current:				
Public safety	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	100,600	100,600	54,480	(46,120)
Fund Balance, Beginning	<u>414,868</u>	<u>414,868</u>	<u>414,868</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 515,468</u>	<u>\$ 515,468</u>	<u>\$ 469,348</u>	<u>\$ (46,120)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
California Office of Traffic Safety Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 284,055	\$ 284,055	\$ 159,630	\$ (124,425)
Total revenues	<u>284,055</u>	<u>284,055</u>	<u>159,630</u>	<u>(124,425)</u>
Expenditures				
Current:				
Public safety	236,377	236,377	164,311	72,066
Total expenditures	<u>236,377</u>	<u>236,377</u>	<u>164,311</u>	<u>72,066</u>
Excess (deficiency) of revenues over (under) expenditures	<u>47,678</u>	<u>47,678</u>	<u>(4,681)</u>	<u>(52,359)</u>
Other Financing Sources				
Transfers in	-	-	32,783	32,783
Total other financing sources	<u>-</u>	<u>-</u>	<u>32,783</u>	<u>32,783</u>
Net change in fund balance	47,678	47,678	28,102	(19,576)
Fund Balance (Deficit), Beginning	<u>(35,966)</u>	<u>(35,966)</u>	<u>(35,966)</u>	<u>-</u>
Fund Balance (Deficit), Ending	<u>\$ 11,712</u>	<u>\$ 11,712</u>	<u>\$ (7,864)</u>	<u>\$ (19,576)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Local Law Enforcement Block Grant Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 48,346	\$ 92,124	\$ -	\$ (92,124)
Total revenues	<u>48,346</u>	<u>92,124</u>	<u>-</u>	<u>(92,124)</u>
Expenditures				
Current:				
Public safety	-	-	3	(3)
Capital outlay	-	43,778	-	43,778
Total expenditures	<u>-</u>	<u>43,778</u>	<u>3</u>	<u>43,775</u>
Net change in fund balance	48,346	48,346	(3)	(48,349)
Fund Balance (Deficit), Beginning	<u>(28,407)</u>	<u>(28,407)</u>	<u>(28,407)</u>	<u>-</u>
Fund Balance (Deficit), Ending	<u>\$ 19,939</u>	<u>\$ 19,939</u>	<u>\$ (28,410)</u>	<u>\$ (48,349)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
2009 Street Improvements Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 13,443,100	\$ 13,443,100	\$ 147,757	\$ (13,295,343)
Use of money and property	6,000	6,000	26,333	20,333
Contributions	4,483,896	4,483,896	4,279,526	(204,370)
Total revenues	<u>17,932,996</u>	<u>17,932,996</u>	<u>4,453,616</u>	<u>(13,479,380)</u>
Expenditures				
Current:				
Public works	17,926,996	17,926,996	883,539	17,043,457
Total expenditures	<u>17,926,996</u>	<u>17,926,996</u>	<u>883,539</u>	<u>17,043,457</u>
Net change in fund balance	6,000	6,000	3,570,077	3,564,077
Fund Balance, Beginning	<u>984,648</u>	<u>984,648</u>	<u>984,648</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 990,648</u>	<u>\$ 990,648</u>	<u>\$ 4,554,725</u>	<u>\$ 3,564,077</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Proposition A Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,841,906	\$ 1,841,906	\$ 1,722,669	\$ (119,237)
Charges for services	8,500	8,500	6,480	(2,020)
Use of money and property	3,000	3,000	21,343	18,343
Total revenues	<u>1,853,406</u>	<u>1,853,406</u>	<u>1,750,492</u>	<u>(102,914)</u>
Expenditures				
Current:				
Public works	<u>1,572,931</u>	<u>1,569,884</u>	<u>1,509,831</u>	<u>60,053</u>
Total expenditures	<u>1,572,931</u>	<u>1,569,884</u>	<u>1,509,831</u>	<u>60,053</u>
Excess of revenues over expenditures	<u>280,475</u>	<u>283,522</u>	<u>240,661</u>	<u>(42,861)</u>
Other Financing Uses				
Transfers out	<u>(11,372)</u>	<u>(30,080)</u>	<u>(24,831)</u>	<u>5,249</u>
Total other financing uses	<u>(11,372)</u>	<u>(30,080)</u>	<u>(24,831)</u>	<u>5,249</u>
Net change in fund balance	269,103	253,442	215,830	(37,612)
Fund Balance, Beginning	<u>1,360,110</u>	<u>1,360,110</u>	<u>1,360,110</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,629,213</u>	<u>\$ 1,613,552</u>	<u>\$ 1,575,940</u>	<u>\$ (37,612)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
MTA Measure M Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,298,640	\$ 1,298,640	\$ 1,204,303	\$ (94,337)
Use of money and property	-	-	4,929	4,929
Total revenues	<u>1,298,640</u>	<u>1,298,640</u>	<u>1,209,232</u>	<u>(89,408)</u>
Expenditures				
Current:				
Public works	1,192,608	1,190,473	690,510	499,963
Total expenditures	<u>1,192,608</u>	<u>1,190,473</u>	<u>690,510</u>	<u>499,963</u>
Excess of revenues over expenditures	<u>106,032</u>	<u>108,167</u>	<u>518,722</u>	<u>410,555</u>
Other Financing Uses				
Transfers out	<u>(9,878)</u>	<u>(26,319)</u>	<u>(22,095)</u>	<u>4,224</u>
Total other financing uses	<u>(9,878)</u>	<u>(26,319)</u>	<u>(22,095)</u>	<u>4,224</u>
Net change in fund balance	96,154	81,848	496,627	414,779
Fund Balance (Deficit), Beginning	<u>(53,458)</u>	<u>(53,458)</u>	<u>(53,458)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 42,696</u>	<u>\$ 28,390</u>	<u>\$ 443,169</u>	<u>\$ 414,779</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Proposition C Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,527,812	\$ 1,527,812	\$ 1,428,957	\$ (98,855)
Use of money and property	3,000	3,000	23,608	20,608
Total revenues	<u>1,530,812</u>	<u>1,530,812</u>	<u>1,452,565</u>	<u>(78,247)</u>
Expenditures				
Current:				
Public works	1,310,688	1,309,263	678,871	630,392
Capital outlay	100,000	207,066	218,849	(11,783)
Total expenditures	<u>1,410,688</u>	<u>1,516,329</u>	<u>897,720</u>	<u>618,609</u>
Excess of revenues over expenditures	<u>120,124</u>	<u>14,483</u>	<u>554,845</u>	<u>540,362</u>
Other Financing Uses				
Transfers out	(4,022)	(18,917)	(8,981)	9,936
Total other financing uses	<u>(4,022)</u>	<u>(18,917)</u>	<u>(8,981)</u>	<u>9,936</u>
Net change in fund balance	116,102	(4,434)	545,864	550,298
Fund Balance, Beginning	<u>1,519,222</u>	<u>1,519,222</u>	<u>1,519,222</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,635,324</u>	<u>\$ 1,514,788</u>	<u>\$ 2,065,086</u>	<u>\$ 550,298</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Air Quality Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 109,453	\$ 9,453
Use of money and property	300	300	1,373	1,073
Total revenues	<u>100,300</u>	<u>100,300</u>	<u>110,826</u>	<u>10,526</u>
Expenditures				
Current:				
Community development	<u>106,840</u>	<u>106,840</u>	<u>104,526</u>	<u>2,314</u>
Total expenditures	<u>106,840</u>	<u>106,840</u>	<u>104,526</u>	<u>2,314</u>
Net change in fund balance	(6,540)	(6,540)	6,300	12,840
Fund Balance, Beginning	<u>149,767</u>	<u>149,767</u>	<u>149,767</u>	-
Fund Balance, Ending	<u>\$ 143,227</u>	<u>\$ 143,227</u>	<u>\$ 156,067</u>	<u>\$ 12,840</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
California Used Oil Recycling Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ -	\$ (22,000)
Use of money and property	300	300	1,833	1,533
Total revenues	<u>22,300</u>	<u>22,300</u>	<u>1,833</u>	<u>(20,467)</u>
Expenditures				
Current:				
Public works	13,733	13,541	4,471	9,070
Total expenditures	<u>13,733</u>	<u>13,541</u>	<u>4,471</u>	<u>9,070</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,567</u>	<u>8,759</u>	<u>(2,638)</u>	<u>(11,397)</u>
Other Financing Uses				
Transfers out	(549)	(1,482)	(162)	1,320
Total other financing uses	<u>(549)</u>	<u>(1,482)</u>	<u>(162)</u>	<u>1,320</u>
Net change in fund balance	8,018	7,277	(2,800)	(10,077)
Fund Balance, Beginning	<u>150,529</u>	<u>150,529</u>	<u>150,529</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 158,547</u>	<u>\$ 157,806</u>	<u>\$ 147,729</u>	<u>\$ (10,077)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
California Beverage Container Recycling Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 21,762	\$ (238)
Use of money and property	300	300	1,483	1,183
Total revenues	<u>22,300</u>	<u>22,300</u>	<u>23,245</u>	<u>945</u>
Expenditures				
Current:				
General government	<u>20,215</u>	<u>19,831</u>	<u>9,642</u>	<u>10,189</u>
Total expenditures	<u>20,215</u>	<u>19,831</u>	<u>9,642</u>	<u>10,189</u>
Excess of revenues over expenditures	<u>2,085</u>	<u>2,469</u>	<u>13,603</u>	<u>11,134</u>
Other Financing Uses				
Transfers out	<u>(1,098)</u>	<u>(2,964)</u>	<u>(325)</u>	<u>2,639</u>
Total other financing uses	<u>(1,098)</u>	<u>(2,964)</u>	<u>(325)</u>	<u>2,639</u>
Net change in fund balance	987	(495)	13,278	13,773
Fund Balance, Beginning	<u>150,170</u>	<u>150,170</u>	<u>150,170</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 151,157</u>	<u>\$ 149,675</u>	<u>\$ 163,448</u>	<u>\$ 13,773</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
CATV Peg Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 120,000	\$ 120,000	\$ 112,151	\$ (7,849)
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>112,151</u>	<u>(7,849)</u>
Expenditures				
Capital outlay	<u>65,000</u>	<u>65,000</u>	<u>25,446</u>	<u>39,554</u>
Total expenditures	<u>65,000</u>	<u>65,000</u>	<u>25,446</u>	<u>39,554</u>
Net change in fund balance	55,000	55,000	86,705	31,705
Fund Balance, Beginning	<u>288,631</u>	<u>288,631</u>	<u>288,631</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 343,631</u>	<u>\$ 343,631</u>	<u>\$ 375,336</u>	<u>\$ 31,705</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Housing Asset
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 422,308	\$ 422,308	\$ 463,231	\$ 40,923
Total revenues	<u>422,308</u>	<u>422,308</u>	<u>463,231</u>	<u>40,923</u>
Expenditures				
Current:				
General government	-	-	73,862	(73,862)
Community development	464,982	464,982	457,090	7,892
Total expenditures	<u>464,982</u>	<u>464,982</u>	<u>530,952</u>	<u>(65,970)</u>
Deficiency of revenues under expenditures	<u>(42,674)</u>	<u>(42,674)</u>	<u>(67,721)</u>	<u>(25,047)</u>
Other Financing Uses				
Transfers out	<u>(22,579)</u>	<u>(61,105)</u>	<u>(56,671)</u>	<u>4,434</u>
Total other financing uses	<u>(22,579)</u>	<u>(61,105)</u>	<u>(56,671)</u>	<u>4,434</u>
Net change in fund balance	(65,253)	(103,779)	(124,392)	(20,613)
Fund Balance, Beginning	<u>7,052,724</u>	<u>7,052,724</u>	<u>7,052,724</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 6,987,471</u>	<u>\$ 6,948,945</u>	<u>\$ 6,928,332</u>	<u>\$ (20,613)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
HOME Grant
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 979,134	\$ 979,134	\$ 73,309	\$ (905,825)
Use of money and property	-	-	45,000	45,000
Total revenues	<u>979,134</u>	<u>979,134</u>	<u>118,309</u>	<u>(860,825)</u>
Expenditures				
Current:				
Community development	977,502	977,502	208,756	768,746
Total expenditures	<u>977,502</u>	<u>977,502</u>	<u>208,756</u>	<u>768,746</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,632</u>	<u>1,632</u>	<u>(90,447)</u>	<u>(92,079)</u>
Other Financing Uses				
Transfers out	<u>(1,632)</u>	<u>(4,023)</u>	<u>(1,323)</u>	<u>2,700</u>
Total other financing uses	<u>(1,632)</u>	<u>(4,023)</u>	<u>(1,323)</u>	<u>2,700</u>
Net change in fund balance	-	(2,391)	(91,770)	(89,379)
Fund Balance, Beginning	<u>333,105</u>	<u>333,105</u>	<u>333,105</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 333,105</u>	<u>\$ 330,714</u>	<u>\$ 241,335</u>	<u>\$ (89,379)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,376,834	\$ 1,376,834	\$ 1,868,826	\$ 491,992
Total revenues	<u>1,376,834</u>	<u>1,376,834</u>	<u>1,868,826</u>	<u>491,992</u>
Expenditures				
Current:				
Community development	1,008,456	1,008,456	1,348,559	(340,103)
Debt service:				
Principal retirement	355,000	355,000	355,000	-
Interest and fiscal charges	<u>6,852</u>	<u>46,894</u>	<u>46,894</u>	<u>-</u>
Total expenditures	<u>1,370,308</u>	<u>1,410,350</u>	<u>1,750,453</u>	<u>(340,103)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,526</u>	<u>(33,516)</u>	<u>118,373</u>	<u>151,889</u>
Other Financing Uses				
Transfers out	<u>(6,526)</u>	<u>(19,998)</u>	<u>(4,732)</u>	<u>15,266</u>
Total other financing uses	<u>(6,526)</u>	<u>(19,998)</u>	<u>(4,732)</u>	<u>15,266</u>
Net change in fund balance	-	(53,514)	113,641	167,155
Fund Balance (Deficit), Beginning	<u>(266,175)</u>	<u>(266,175)</u>	<u>(266,175)</u>	<u>-</u>
Fund Balance (Deficit), Ending	<u>\$ (266,175)</u>	<u>\$ (319,689)</u>	<u>\$ (152,534)</u>	<u>\$ 167,155</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Development Impact Capital Projects Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 500,000	\$ 500,000	\$ 1,057,516	\$ 557,516
Use of money and property	7,000	7,000	50,447	43,447
Total revenues	<u>507,000</u>	<u>507,000</u>	<u>1,107,963</u>	<u>600,963</u>
Expenditures				
Current:				
Community development	804	804	3,829	(3,025)
Capital outlay	780,000	780,000	704,868	75,132
Total expenditures	<u>780,804</u>	<u>780,804</u>	<u>708,697</u>	<u>72,107</u>
Net change in fund balance	(273,804)	(273,804)	399,266	673,070
Fund Balance, Beginning	<u>3,498,684</u>	<u>3,498,684</u>	<u>3,498,684</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 3,224,880</u>	<u>\$ 3,224,880</u>	<u>\$ 3,897,950</u>	<u>\$ 673,070</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
Public Financing Authority Debt Service Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 4,000	\$ 4,000	\$ 6,024	\$ 2,024
Total revenues	4,000	4,000	6,024	2,024
Expenditures				
Current:				
General government	9,404	9,404	5,286	4,118
Debt service:				
Principal retirement	608,203	608,203	608,203	-
Interest and fiscal charges	110,698	110,698	97,728	12,970
Total expenditures	728,305	728,305	711,217	17,088
Deficiency of revenues under expenditures	(724,305)	(724,305)	(705,193)	19,112
Other Financing Sources				
Transfers in	724,305	724,305	722,180	(2,125)
Total other financing sources	724,305	724,305	722,180	(2,125)
Net change in fund balance	-	-	16,987	16,987
Fund Balance, Beginning	1,683,871	1,683,871	1,683,871	-
Fund Balance, Ending	\$ 1,683,871	\$ 1,683,871	\$ 1,700,858	\$ 16,987

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
2016 Refunding Bonds Debt Service Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 250	\$ 250	\$ 1,672	\$ 1,422
Miscellaneous	-	-	4,215	4,215
Total revenues	<u>250</u>	<u>250</u>	<u>5,887</u>	<u>5,637</u>
Expenditures				
Debt service:				
Principal retirement	1,772,902	1,772,902	1,330,000	442,902
Interest and fiscal charges	479,912	479,912	872,814	(392,902)
Total expenditures	<u>2,252,814</u>	<u>2,252,814</u>	<u>2,202,814</u>	<u>50,000</u>
Deficiency of revenues under expenditures	<u>(2,252,564)</u>	<u>(2,252,564)</u>	<u>(2,196,927)</u>	<u>55,637</u>
Other Financing Sources				
Transfers in	2,661,420	2,661,420	2,330,135	(331,285)
Total other financing sources	<u>2,661,420</u>	<u>2,661,420</u>	<u>2,330,135</u>	<u>(331,285)</u>
Net change in fund balance	408,856	408,856	133,208	(275,648)
Fund Balance, Beginning	<u>573,505</u>	<u>573,505</u>	<u>573,505</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 982,361</u>	<u>\$ 982,361</u>	<u>\$ 706,713</u>	<u>\$ (275,648)</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
2016 Direct Placement Lease Financing Fund
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Use of money and property	\$ 300	\$ 300	\$ 376	\$ 76
Total revenues	<u>300</u>	<u>300</u>	<u>376</u>	<u>76</u>
Expenditures				
Current:				
General government	5,704	5,704	204	5,500
Debt service:				
Principal retirement	180,100	180,100	180,100	-
Interest and fiscal charges	59,549	59,549	59,548	1
Total expenditures	<u>245,353</u>	<u>245,353</u>	<u>239,852</u>	<u>5,501</u>
Deficiency of revenues under expenditures	<u>(245,053)</u>	<u>(245,053)</u>	<u>(239,476)</u>	<u>5,577</u>
Other Financing Sources				
Transfers in	245,052	245,052	245,352	300
Total other financing sources	<u>245,052</u>	<u>245,052</u>	<u>245,352</u>	<u>300</u>
Net change in fund balance	(1)	(1)	5,876	5,877
Fund Balance, Beginning	<u>30,223</u>	<u>30,223</u>	<u>30,223</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 30,222</u>	<u>\$ 30,222</u>	<u>\$ 36,099</u>	<u>\$ 5,877</u>

City of Hawthorne

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
2019 Pension Obligation Bond
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ -	\$ -	\$ 5,811	\$ 5,811
Use of money and property	-	-	4,852	4,852
Total revenues	-	-	10,663	10,663
Expenditures				
Current:				
General government	-	19,991,675	19,988,158	3,517
Public safety	-	68,283,275	68,283,275	-
Community development	-	9,267,277	9,265,646	1,631
Parks and recreation	-	7,402,754	7,401,452	1,302
Public works	-	10,957,809	10,955,881	1,928
Debt service:				
Principal retirement	-	2,245,000	2,245,000	-
Interest and fiscal charges	-	2,617,565	2,617,565	-
Bond issuance costs	-	1,112,189	1,112,189	-
Total expenditures	-	121,877,544	121,869,166	8,378
Deficiency of revenues under expenditures	-	(121,877,544)	(121,858,503)	19,041
Other Financing Sources				
Issuance of debt	-	121,865,000	121,865,000	-
Transfers in	-	3,169,777	3,169,777	-
Transfers out	-	(4,844,521)	(4,844,521)	-
Total other financing sources	-	120,190,256	120,190,256	-
Net change in fund balance	-	(1,687,288)	(1,668,247)	19,041
Fund Balance, Beginning	-	-	-	-
Fund Balance (Deficit), Ending	\$ -	\$ (1,687,288)	\$ (1,668,247)	\$ 19,041

City of Hawthorne

**Combining Statement of Net Position
Internal Service Funds
June 30, 2020**

Assets	Equipment Replacement	Insurance Reserve	Total
Current Assets:			
Cash and investments	\$ 1,675,974	\$ -	\$ 1,675,974
Receivables:			
Accounts	-	14,258	14,258
Advances to other funds	310,000	-	310,000
Inventories	14,311	-	14,311
Total current assets	<u>2,000,285</u>	<u>14,258</u>	<u>2,014,543</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,644,953	-	1,644,953
Total noncurrent assets	<u>1,644,953</u>	<u>-</u>	<u>1,644,953</u>
Total assets	<u>3,645,238</u>	<u>14,258</u>	<u>3,659,496</u>
Deferred Outflows of Resources			
Pension related	<u>1,099,447</u>	<u>1,331,042</u>	<u>2,430,489</u>
Liabilities			
Current liabilities:			
Accounts payable	146,166	149,227	295,393
Accrued liabilities	10,490	10,941	21,431
Compensated absences	10,275	-	10,275
Advances from other funds	-	33,190	33,190
Claims and judgements	-	594,647	594,647
Capital lease	82,973	-	82,973
Total current liabilities	<u>249,904</u>	<u>788,005</u>	<u>1,037,909</u>
Noncurrent liabilities:			
Compensated absences	41,100	-	41,100
Claims and judgements	-	2,378,588	2,378,588
Net pension liability	996,481	1,206,387	2,202,868
Capital lease	140,464	-	140,464
Total noncurrent liabilities	<u>1,178,045</u>	<u>3,584,975</u>	<u>4,763,020</u>
Total liabilities	<u>1,427,949</u>	<u>4,372,980</u>	<u>5,800,929</u>
Deferred Inflows of Resources			
Pension related	<u>29,960</u>	<u>36,271</u>	<u>66,231</u>
Net Position			
Net investment in capital assets	1,421,516	-	1,421,516
Unrestricted	<u>1,865,260</u>	<u>(3,063,951)</u>	<u>(1,198,691)</u>
Total net position (deficit)	<u>\$ 3,286,776</u>	<u>\$ (3,063,951)</u>	<u>\$ 222,825</u>

City of Hawthorne

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2020**

	Equipment Replacement	Insurance Reserve	Total
Operating Revenues			
Sales and service charges	\$ 2,117,124	\$ 4,842,026	\$ 6,959,150
Miscellaneous	27,769	-	27,769
	<u>2,144,893</u>	<u>4,842,026</u>	<u>6,986,919</u>
Total operating revenues			
Operating Expenses			
Administration and general	1,077,186	404,420	1,481,606
Materials and supplies	517,152	876	518,028
Contractual services	81,082	3,384,422	3,465,504
Depreciation	474,785	-	474,785
	<u>2,150,205</u>	<u>3,789,718</u>	<u>5,939,923</u>
Total operating expenses			
Operating income (loss)	<u>(5,312)</u>	<u>1,052,308</u>	<u>1,046,996</u>
Nonoperating Revenues			
Gain on disposal of assets, net	169,026	-	169,026
Net nonoperating revenues	<u>169,026</u>	<u>-</u>	<u>169,026</u>
Change in net position before transfers	<u>163,714</u>	<u>1,052,308</u>	<u>1,216,022</u>
Transfers			
Transfers in	1,011,396	1,224,444	2,235,840
Transfers out	(275,405)	(54,602)	(330,007)
Total transfers	<u>735,991</u>	<u>1,169,842</u>	<u>1,905,833</u>
Change in net position	899,705	2,222,150	3,121,855
Net Position			
Net position (deficit), beginning	<u>2,387,071</u>	<u>(5,286,101)</u>	<u>(2,899,030)</u>
Net position (deficit), ending	<u>\$ 3,286,776</u>	<u>\$ (3,063,951)</u>	<u>\$ 222,825</u>

City of Hawthorne

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2020

	Equipment Replacement	Insurance Reserve	Total
Cash flows from operating activities			
Cash received from customers and users	\$ 2,144,893	\$ 4,831,256	\$ 6,976,149
Cash paid to suppliers for goods and services	(1,226,981)	(4,695,712)	(5,922,693)
Cash paid to employees for services	(1,351,824)	(1,272,196)	(2,624,020)
Net cash used for operating activities	<u>(433,912)</u>	<u>(1,136,652)</u>	<u>(1,570,564)</u>
Cash flows from noncapital financing activities			
Cash paid to other funds	-	(33,190)	(33,190)
Transfer from debt service funds	1,011,396	1,224,444	2,235,840
Transfer to debt service funds	-	(54,602)	(54,602)
Transfer to general fund	(275,405)	-	(275,405)
Net cash provided by noncapital financing activities	<u>735,991</u>	<u>1,136,652</u>	<u>1,872,643</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(224,977)	-	(224,977)
Proceed from sale of assets	169,026	-	169,026
Payments on capital lease	(78,795)	-	(78,795)
Net cash used for capital and related financing activities	<u>(134,746)</u>	<u>-</u>	<u>(134,746)</u>
Net increase in cash and cash equivalents	167,333	-	167,333
Cash and cash equivalents, beginning of year	<u>1,508,641</u>	<u>-</u>	<u>1,508,641</u>
Cash and cash equivalents, end of year	<u>\$ 1,675,974</u>	<u>\$ -</u>	<u>\$ 1,675,974</u>
Reconciliation of operating income (loss) to net cash used for operating activities:			
Operating income (loss)	\$ (5,312)	\$ 1,052,308	\$ 1,046,996
Adjustments to reconcile operating income (loss) to net cash used for operating activities:			
Depreciation	474,785	-	474,785
(Increase) decrease in operating assets:			
Accounts receivable	-	(10,770)	(10,770)
Deferred outflows of resources	(978,443)	(1,184,549)	(2,162,992)
Increase (decrease) in operating liabilities:			
Accounts payable	50,967	55,305	106,272
Accrued liabilities	10,490	10,941	21,431
Claims and judgements payable	-	(1,064,475)	(1,064,475)
Compensated absences	9,810	-	9,810
Net pension liability	4,322	5,232	9,554
Deferred inflows of resources	(531)	(644)	(1,175)
Total adjustments	<u>(428,600)</u>	<u>(2,188,960)</u>	<u>(2,617,560)</u>
Net cash used for operating activities	<u>\$ (433,912)</u>	<u>\$ (1,136,652)</u>	<u>\$ (1,570,564)</u>

City of Hawthorne

**Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2020**

	Community Facilities Districts	City Agency	Total
Assets			
Cash and investments	\$ 555,853	\$ 4,696,592	\$ 5,252,445
Receivables:			
Accounts, net	-	258	258
Taxes	20,802	-	20,802
Interest	479	-	479
Restricted assets:			
Cash and investments with fiscal agents	2,802,239	-	2,802,239
Total assets	<u>\$ 3,379,373</u>	<u>\$ 4,696,850</u>	<u>\$ 8,076,223</u>
Liabilities			
Accounts payable	\$ 8,309	\$ 63,577	\$ 71,886
Deposits payable	-	4,633,273	4,633,273
Due to bondholders	3,371,064	-	3,371,064
Total liabilities	<u>\$ 3,379,373</u>	<u>\$ 4,696,850</u>	<u>\$ 8,076,223</u>

City of Hawthorne

Combining Statement of Changes in Assets and Liabilities All Agency Funds For the Fiscal Year Ended June 30, 2020

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
<u>Community Facilities Districts</u>				
Assets				
Cash and investments	\$ 709,060	\$ 3,776,170	\$ 3,929,377	\$ 555,853
Taxes receivable	22,705	20,802	22,705	20,802
Interest receivable	1,693	480	1,694	479
Restricted assets:				
Cash and investments with fiscal agents	5,535,096	28,033,480	30,766,337	2,802,239
Total Assets	\$ 6,268,554	\$ 31,830,932	\$ 34,720,113	\$ 3,379,373
Liabilities				
Accounts payable	\$ 7,689	\$ 46,477	\$ 45,857	\$ 8,309
Accrued liabilities	621,000	-	621,000	-
Due to bondholders	5,639,865	15,890,447	18,159,248	3,371,064
Total Liabilities	\$ 6,268,554	\$ 15,936,924	\$ 18,826,105	\$ 3,379,373
<u>City Agency</u>				
Assets				
Cash and investments	\$ 2,828,291	\$ 8,985,291	\$ 7,116,990	\$ 4,696,592
Accounts receivable, net	1,686	258	1,686	258
Total Assets	\$ 2,829,977	\$ 8,985,549	\$ 7,118,676	\$ 4,696,850
Liabilities				
Accounts payable	\$ 70,289	\$ 1,198,075	\$ 1,204,787	\$ 63,577
Deposits payable	2,759,688	8,950,700	7,077,115	4,633,273
Total Liabilities	\$ 2,829,977	\$ 10,148,775	\$ 8,281,902	\$ 4,696,850
<u>Combined Agency Funds</u>				
Assets				
Cash and investments	\$ 3,537,351	\$ 12,761,461	\$ 11,046,367	\$ 5,252,445
Accounts receivable, net	1,686	258	1,686	258
Taxes receivable	22,705	20,802	22,705	20,802
Interest receivable	1,693	480	1,694	479
Restricted assets:				
Cash and investments with fiscal agents	5,535,096	28,033,480	30,766,337	2,802,239
Total Assets	\$ 9,098,531	\$ 40,816,481	\$ 41,838,789	\$ 8,076,223
Liabilities				
Accounts payable	\$ 77,978	\$ 1,244,552	\$ 1,250,644	\$ 71,886
Accrued liabilities	621,000	-	621,000	-
Deposits payable	2,759,688	8,950,700	7,077,115	4,633,273
Due to bondholders	5,639,865	15,890,447	18,159,248	3,371,064
Total Liabilities	\$ 9,098,531	\$ 26,085,699	\$ 27,108,007	\$ 8,076,223

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			
	2011	2012	2013	2014
Governmental Activities:				
Net investment in capital assets	\$ 46,716,073	\$ 49,953,731	\$ 47,629,536	\$ 88,248,555
Restricted for:				
Public safety	129,753	197,710	238,528	154,050
Community development	15,074,542	13,337,436	23,633,197	24,107,637
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital improvements	8,456,744	2,608,932	2,633,641	3,459,998
Debt service	1,273,778	550,756	1,765,455	1,746,659
Unrestricted	(23,069,320)	48,281,467	37,773,141	2,718,192
Total governmental activities net position	<u>\$ 48,581,570</u>	<u>\$ 114,930,032</u>	<u>\$ 113,673,498</u>	<u>\$ 120,435,091</u>
Business-type activities:				
Net investment in capital assets	\$ 11,100,190	\$ 10,727,192	\$ 10,495,271	\$ 10,883,092
Unrestricted	(1,643,921)	(645,594)	334,901	1,060,109
Total business-type activities net position	<u>\$ 9,456,269</u>	<u>\$ 10,081,598</u>	<u>\$ 10,830,172</u>	<u>\$ 11,943,201</u>
Primary Government:				
Net investment in capital assets	\$ 57,816,263	\$ 60,680,923	\$ 58,124,807	\$ 99,131,647
Restricted for:				
Public safety	129,753	197,710	238,528	154,050
Community development	15,074,542	13,337,436	23,633,197	24,107,637
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Capital improvements	8,456,744	2,608,932	2,633,641	3,459,998
Debt service	1,273,778	550,756	1,765,455	1,746,659
Unrestricted	(24,713,241)	47,635,873	38,108,042	3,778,301
Total primary government net position	<u>\$ 58,037,839</u>	<u>\$ 125,011,630</u>	<u>\$ 124,503,670</u>	<u>\$ 132,378,292</u>

Source: City of Hawthorne, Finance Department

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 98,764,480	\$ 98,816,219	\$ 104,229,572	\$ 105,088,517	\$ 113,929,703	\$ 115,535,476
205,942	293,845	1,400,432	539,905	908,793	2,132,992
6,983,229	3,211,422	4,086,416	6,417,462	7,686,125	7,489,182
-	-	-	-	-	221,702
-	5,821,832	6,174,648	6,772,717	7,328,057	12,391,232
4,028,388	4,428,834	4,243,801	4,974,337	3,787,315	4,273,286
1,751,788	1,989,372	1,776,572	1,785,449	2,287,599	2,443,670
(100,463,431)	(104,694,912)	(114,897,815)	(199,077,160)	(195,983,739)	(196,188,925)
<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>	<u>\$ (51,701,385)</u>
\$ 10,761,597	\$ 10,443,914	\$ 10,034,549	\$ 9,657,296	\$ 9,269,159	\$ 8,894,639
(446,027)	770,871	1,479,009	863,905	994,105	4,414,574
<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>	<u>\$ 13,309,213</u>
\$ 109,526,077	\$ 109,260,133	\$ 114,264,121	\$ 114,745,813	\$ 123,198,862	\$ 124,430,115
205,942	293,845	1,400,432	539,905	908,793	2,132,992
6,983,229	3,211,422	4,086,416	6,417,462	7,686,125	7,489,182
-	-	-	-	-	221,702
-	5,821,832	6,174,648	6,772,717	7,328,057	12,391,232
4,028,388	4,428,834	4,243,801	4,974,337	3,787,315	4,273,286
1,751,788	1,989,372	1,776,572	1,785,449	2,287,599	2,443,670
(100,909,458)	(103,924,041)	(113,418,806)	(198,213,255)	(194,989,634)	(191,774,351)
<u>\$ 21,585,966</u>	<u>\$ 21,081,397</u>	<u>\$ 18,527,184</u>	<u>\$ (62,977,572)</u>	<u>\$ (49,792,883)</u>	<u>\$ (38,392,172)</u>

City of Hawthorne

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

	Fiscal Year			
	2011	2012	2013	2014
Expenses:				
Governmental Activities:				
General government	\$ 13,528,644	\$ 6,382,008	\$ 7,750,941	\$ 7,768,606
Public safety	38,762,602	39,196,784	41,129,544	43,840,245
Community development	102,613,415	31,862,859	20,364,753	14,003,502
Parks and recreation	1,621,402	1,714,451	1,687,789	2,019,805
Public works	13,128,404	12,085,246	13,134,894	14,077,746
Interest on long-term debt	6,355,253	5,886,728	2,297,756	2,189,013
Total governmental activities expenses	<u>176,009,720</u>	<u>97,128,076</u>	<u>86,365,677</u>	<u>83,898,917</u>
Business-type activities:				
Airport	887,718	1,013,603	981,673	901,405
Sewer and storm drain	805,277	805,749	881,843	1,126,983
Total business-type activities expenses	<u>1,692,995</u>	<u>1,819,352</u>	<u>1,863,516</u>	<u>2,028,388</u>
Total primary government expenses	<u>177,702,715</u>	<u>98,947,428</u>	<u>88,229,193</u>	<u>85,927,305</u>
Program Revenues:				
Governmental Activities:				
General government	7,641,310	9,450,117	7,388,347	10,358,083
Public safety	4,840,868	4,715,985	5,273,480	6,310,867
Community development	100,419,432	38,342,370	17,592,931	19,140,595
Parks and recreation	693,891	772,912	787,003	801,753
Public works	11,167,336	9,908,895	8,115,365	6,982,951
Total governmental activities program revenues	<u>124,762,837</u>	<u>63,190,279</u>	<u>39,157,126</u>	<u>43,594,249</u>
Business-type activities:				
Airport	585,975	875,314	977,941	1,456,803
Sewer and storm drain	1,246,078	1,569,367	1,634,149	1,684,614
Total business-type activities program revenues	<u>1,832,053</u>	<u>2,444,681</u>	<u>2,612,090</u>	<u>3,141,417</u>
Total primary government program revenues	<u>126,594,890</u>	<u>65,634,960</u>	<u>41,769,216</u>	<u>46,735,666</u>
Net (expenses) revenues:				
Governmental activities	(51,246,883)	(33,937,797)	(47,208,551)	(40,304,668)
Business-type activities	<u>139,058</u>	<u>625,329</u>	<u>748,574</u>	<u>1,113,029</u>
Total primary government net (expenses)/revenues	<u>(51,107,825)</u>	<u>(33,312,468)</u>	<u>(46,459,977)</u>	<u>(39,191,639)</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.

Source: City of Hawthorne, Finance Department

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 9,677,945	\$ 9,959,013	\$ 11,094,220	\$ 14,701,855	\$ 14,732,354	\$ 11,217,900
48,115,574	47,961,278	54,633,003	54,381,340	54,981,502	59,715,116
15,380,435	11,948,791	12,849,025	15,498,320	14,471,029	15,845,559
2,097,720	3,539,851	3,827,432	4,521,785	4,365,183	3,832,039
14,921,503	10,020,953	12,051,189	10,335,197	13,563,064	10,587,442
2,084,801	2,862,959	918,037	1,348,742	1,003,660	4,903,784
<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>	<u>106,101,840</u>
949,809	931,989	1,131,440	1,230,891	1,745,924	1,603,543
1,581,953	838,433	933,015	2,342,547	884,469	709,837
<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>2,313,380</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>	<u>108,415,220</u>
9,966,590	11,770,484	11,224,984	11,003,976	11,202,311	10,219,365
5,595,120	9,250,179	5,460,890	5,673,185	6,089,974	5,006,103
21,395,006	7,923,370	12,460,275	13,194,352	14,155,829	16,745,927
785,977	663,082	642,713	709,246	637,610	445,260
7,104,305	4,682,406	9,318,132	6,181,485	13,830,239	12,524,253
<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>	<u>44,940,908</u>
919,129	860,162	908,988	1,009,726	882,878	1,497,105
1,648,704	1,459,572	1,448,366	1,559,160	1,482,507	1,335,231
<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>2,832,336</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>	<u>47,773,244</u>
(47,430,980)	(52,003,324)	(56,265,912)	(64,024,995)	(57,200,829)	(61,160,932)
36,071	549,312	292,899	(1,004,552)	(265,008)	518,956
<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>	<u>(60,641,976)</u>

City of Hawthorne

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

	Fiscal Year			
	2011	2012	2013	2014
General Revenues and Other Changes in Net Positions:				
Governmental activities:				
Taxes:				
Property taxes	\$ 25,832,453	\$ 14,499,970	\$ 15,011,710	\$ 13,767,847
Sales taxes	10,983,038	11,907,391	12,928,878	13,103,430
Transient occupancy taxes	2,017,281	2,393,034	2,680,392	2,765,262
Franchise taxes	1,805,767	1,705,681	1,767,044	1,801,311
Business license taxes	4,878,608	5,072,563	4,901,207	4,962,181
Utility users tax	6,996,505	6,689,440	6,737,474	6,954,818
Other taxes	356,411	137,620	249,778	21,086
Miscellaneous revenue	406,935	90,807	38,244	176,333
Gain on sale of assets	-	-	-	-
Use of money and property	978,096	1,299,405	25,340	13,993
Transfers in/(out)	560,774	-	-	-
Total governmental activities	<u>54,815,868</u>	<u>43,795,911</u>	<u>44,340,067</u>	<u>43,566,261</u>
Business-type activities:				
Miscellaneous	-	-	-	-
Use of money and property	-	-	-	-
Transfers in/(out)	(560,774)	-	-	-
Total business-type activities	<u>(560,774)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>54,255,094</u>	<u>43,795,911</u>	<u>44,340,067</u>	<u>43,566,261</u>
Change in Net Position:				
Governmental activities	3,568,985	9,858,114	(2,868,484)	3,261,593
Business-type activities	(421,716)	625,329	748,574	1,113,029
Total primary government	<u>\$ 3,147,269</u>	<u>\$ 10,483,443</u>	<u>\$ (2,119,910)</u>	<u>\$ 4,374,622</u>

Source: City of Hawthorne, Finance Department

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 15,582,864	\$ 14,693,230	\$ 17,000,228	\$ 17,212,040	\$ 18,297,687	\$ 19,494,231
14,521,823	14,721,975	16,856,609	18,498,130	28,408,757	28,627,941
3,357,279	4,806,401	5,200,111	5,412,476	5,970,823	5,548,885
1,833,145	1,809,159	1,724,565	1,765,717	2,171,334	1,980,644
4,947,687	6,419,659	5,615,982	6,314,957	6,921,485	7,851,079
6,842,540	6,667,384	6,613,873	6,726,815	6,358,691	6,476,401
115,589	-	-	-	-	-
159,031	1,060,219	1,649,614	11,507,607	2,104,588	850,007
-	-	-	-	-	177,628
9,017	69,833	40,189	100,699	410,090	999,325
-	-	-	-	-	(2,490,447)
<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>	<u>69,515,694</u>
-	23,963	5,874	12,195	7,071	36,546
-	-	-	-	-	-
-	-	-	-	-	2,490,447
<u>-</u>	<u>23,963</u>	<u>5,874</u>	<u>12,195</u>	<u>7,071</u>	<u>2,526,993</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>	<u>72,042,687</u>
(62,005)	(1,755,464)	(1,564,741)	3,513,446	13,442,626	8,354,762
<u>36,071</u>	<u>573,275</u>	<u>298,773</u>	<u>(992,357)</u>	<u>(257,937)</u>	<u>3,045,949</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>	<u>\$ 11,400,711</u>

City of Hawthorne

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

	Fiscal Year			
	2011	2012	2013	2014
General Fund:				
GASB 54:				
Nonspendable	\$ 18,406,931	\$ 53,364	\$ 72,607	\$ 21,186
Unassigned	16,077,846	14,100,610	17,081,233	17,825,388
Total General Fund	<u>34,484,777</u>	<u>14,153,974</u>	<u>17,153,840</u>	<u>17,846,574</u>
All Other Governmental Funds:				
GASB 54:				
Nonspendable	832,337	857,563		
Restricted	8,697,995	9,223,388	12,414,769	13,462,455
Unassigned	(49,562,934)	71,528.00	(1,463,709.00)	(1,973,549)
Total all other governmental funds	<u>(40,032,602)</u>	<u>10,152,479</u>	<u>10,951,060</u>	<u>11,488,906</u>
Total governmental funds	<u>\$ (5,547,825)</u>	<u>\$ 24,306,453</u>	<u>\$ 28,104,900</u>	<u>\$ 29,335,480</u>

Source: City of Hawthorne, Finance Department

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 4,223,582	\$ 3,217,524	\$ 53,986	\$ 49,432	\$ 52,198	\$ 80,632
<u>11,846,918</u>	<u>10,763,286</u>	<u>16,615,228</u>	<u>26,066,029</u>	<u>37,202,338</u>	<u>44,563,186</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>	<u>44,643,818</u>
	335,181	-	-	-	20,318
15,071,577	15,412,581	17,790,488	21,191,173	21,997,889	28,952,064
<u>(3,391,518)</u>	<u>(1,874,224)</u>	<u>(625,215)</u>	<u>(911,566)</u>	<u>(760,486)</u>	<u>(2,123,366)</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>26,849,016</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>	<u>\$ 71,492,834</u>

City of Hawthorne

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

	Fiscal Year			
	2011	2012	2013	2014
Revenues:				
Taxes and special assessments	\$ 57,525,351	\$ 47,939,202	\$ 49,001,010	\$ 48,842,096
Licenses and permits	1,661,731	1,275,321	2,696,368	2,988,845
Intergovernmental	109,233,611	39,277,118	23,735,974	18,331,224
Charges for services	1,790,548	1,979,901	1,981,251	2,241,294
Fines and forfeitures	3,024,286	2,439,989	2,978,968	3,424,944
Use of money and property	5,041,498	1,308,719	447,973	373,828
Contributions	2,349,180	1,079,694	1,810,060	301,155
Miscellaneous	5,804,630	6,920,074	3,777,822	6,605,953
Total Revenues	186,430,835	102,220,018	86,429,426	83,109,339
Expenditures:				
Current:				
General government (1)	11,685,164	5,622,032	5,780,090	6,187,963
Public safety	36,594,120	36,924,710	39,296,404	41,134,364
Community development (1)	102,036,018	31,045,909	19,665,363	13,209,207
Parks and recreation	1,412,709	1,496,645	1,506,952	1,801,650
Public works	12,199,278	10,556,123	10,275,219	11,336,465
Capital outlay	5,590,203	4,830,417	924,301	2,418,275
Debt service:				
Principal retirement	8,611,765	2,693,243	3,372,594	3,501,557
Interest and fiscal charges	5,771,747	5,591,640	2,454,056	2,289,278
Bond issuance costs	-	-	-	-
Total expenditures	183,901,004	98,760,719	83,274,979	81,878,759
Excess/(deficiency) of Revenues Over Expenditures	2,529,831	3,459,299	3,154,447	1,230,580
Other financing sources (uses):				
Issuance of debt	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Proceeds from disposal of assets	-	-	-	-
Loan proceeds	1,125,000	-	-	-
Bond proceeds	6,367,436	-	-	-
Capital Lease proceeds	-	73,464	-	-
Transfers in	12,767,509	7,230,946	3,927,563	3,995,825
Transfers out	(12,206,736)	(7,230,946)	(3,927,563)	(3,995,825)
Total other financing sources (uses)	8,053,209	73,464	-	-
Net Change in Fund Balances	\$ 10,583,040	\$ 3,532,763	\$ 3,154,447	\$ 1,230,580
Debt service as a percentage of noncapital expenditures	9.11%	10.19%	7.97%	7.97%

Notes:

(1) 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.

Source: City of Hawthorne, Finance Department

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 52,613,639	\$ 54,107,964	\$ 58,115,240	\$ 63,954,559	\$ 75,799,317	\$ 73,088,871
3,890,427	2,291,930	2,535,471	3,384,070	4,121,946	3,861,839
26,682,989	16,469,698	22,245,586	21,283,289	22,515,800	24,208,218
2,170,626	2,500,544	2,412,936	2,325,798	2,631,104	2,605,973
3,527,228	3,934,011	5,850,331	3,101,340	4,241,409	4,621,263
446,438	471,056	530,465	580,685	937,192	1,420,058
365,361	188,206	873,620	888,145	3,670,175	4,640,773
6,793,843	5,279,485	5,392,496	12,435,535	4,093,289	2,025,498
<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>	<u>116,472,493</u>
7,299,439	9,517,701	9,388,771	10,130,387	12,073,085	32,079,731
42,841,325	43,038,523	46,173,983	49,374,104	50,438,881	120,366,980
14,241,571	12,590,103	12,747,063	14,603,141	13,807,096	24,445,268
1,703,966	3,467,866	3,654,856	3,743,089	3,767,113	10,795,897
11,755,008	8,202,451	13,565,765	11,786,057	18,750,519	21,327,728
13,571,753	2,438,251	3,164,810	2,183,616	3,360,606	2,408,275
3,741,924	4,010,186	5,473,428	2,365,154	2,414,644	4,718,303
2,224,946	2,658,786	980,189	1,207,292	1,142,617	3,694,549
-	941,625	108,692	-	-	1,112,189
<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>220,948,920</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>	<u>(104,476,427)</u>
-	31,803,741	2,730,900	-	-	121,865,000
-	(29,910,984)	-	-	-	-
-	-	-	-	-	8,602
-	-	-	-	-	-
-	-	550,651	-	-	-
4,034,710	5,894,967	2,759,313	2,804,428	2,950,318	8,423,404
<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>(12,819,684)</u>
<u>(695,540)</u>	<u>1,892,757</u>	<u>3,281,551</u>	<u>-</u>	<u>(158,800)</u>	<u>117,477,322</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>	<u>\$ 13,000,895</u>
6.25%	7.89%	7.34%	4.05%	4.40%	3.89%

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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)
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
2020	7,971,171,054	728,823,022	(69,188,809)	8,630,805,267	0.08950

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 2019/20 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			
	2011	2012	2013	2014
City basic rate	0.09484	0.09484	0.09484	0.09484
Redevelopment agency	1.00370	1.00370		
Overlapping Rates				
El Camino Community College	0.01614	0.01688	0.01849	0.01750
Hawthorne School District	0.09394	0.09252	0.11286	0.10797
Inglewood Unified School Dist	0.11452	0.11278	0.12139	0.15614
La Community College District	0.04031	0.03530	0.04875	0.04454
La County Flood Control	0.00000	0.00000	0.00000	0.00000
Lawndale Elementary School Dist	0.05429	0.04363	0.04919	0.04651
Lennox School District	0.06281	0.06682	0.08064	0.08118
Los Angeles Unified School District	0.18695	0.16819	0.17561	0.14644
Metropolitan Water District	0.00370	0.00370	0.00350	0.00350
Wiseburn School District	0.06358	0.09994	0.09129	0.11672
Wiseburn-Centinel Unified	0.03161	0.04985	0.05906	0.04369
Total Direct Rate	0.25442	0.24601	0.24470	0.09106

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 2009/10-2018/2019 Tax Rate Table

(continued)

Fiscal Year					
2015	2016	2017	2018	2019	2020
0.09484	0.09484	0.09484	0.09484	0.00000	0.09484
0.01742	0.01745	0.02294	0.02120	0.02223	0.02155
0.10620	0.10176	0.09553	0.08818	0.08395	0.11025
0.14992	0.12761	0.11351	0.11675	0.13079	0.09832
0.04017	0.03575	0.03596	0.04599	0.04621	0.02717
0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
0.04334	0.04207	0.04064	0.06143	0.06385	0.06343
0.08464	0.08456	0.09078	0.16337	0.16522	0.17202
0.14688	0.12971	0.13110	0.12219	0.12323	0.12552
0.00350	0.00350	0.00350	0.00350	0.00350	0.00350
0.13062	0.13341	0.10166	0.11222	0.10532	0.11111
0.16730	0.14481	0.16592	0.13062	0.17572	0.15734
0.09115	0.09137	0.09174	0.09127	0.09104	0.08950

City of Hawthorne

Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	2020			2011		
	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	\$ 389,695,498	1	4.52 %	\$ -	-	- %
DCII-2301 WEST 120TH STREET LLC	82,711,800	2	0.96	-	-	-
DCT CARGO LLC	75,325,941	3	0.87	-	-	-
COSTCO WHOLESALE CORPORATION	60,259,840	4	0.70	54,638,215	3	0.97
BSP ZELMAN HAWTHORNE LLC	60,064,370	5	0.70	33,935,413	9	0.60
EQUITY HOLDINGS LLC	56,379,097	6	0.65	-	-	-
RT ROCKET ROAD LLC	50,260,306	7	0.58	-	-	-
M AND A GABAE	49,572,311	8	0.57	42,840,037	7	0.76
AK HAWTHORNE LLC	45,631,941	9	0.53	-	-	-
2 LA CIENEGA INC	43,486,526	10	0.50	-	-	-
WILLIAM LYON HOMES INC	-	-	-	99,906,548	1	1.77
HEARTHSTONE MULTI ASSET ENTITY	-	-	-	58,821,975	2	1.04
RS HAWTHORNE LLC	-	-	-	48,468,257	4	0.86
VOUGHT AIRCRAFT INDUSTRIES ICN	-	-	-	45,279,490	5	0.80
MP CARGO LAX I LLC	-	-	-	44,097,669	6	0.78
OCEANGATE PROPERTY LLC	-	-	-	37,470,870	8	0.66
HAWTHORNE GATEWAY LP	-	-	-	30,294,741	10	0.54
Total	\$ 913,387,630		10.58 %	\$ 495,753,215		8.78 %

Note:

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

Source: HdL Coren & Core, Los Angeles County Assessor 2019/2020 Combined Tax Rolls

City of Hawthorne

**Property Tax Levies and Collections
Last Ten Fiscal Years**

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
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
2020	8,468,355	8,048,688	95.04	216,167	8,264,855	97.60

Source: Los Angeles County Auditor and Controller Office.

City of Hawthorne

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities (1)						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Notes Payable	Capital Leases	Loans Payable				
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	
2020	145,887,562	1,987,302	2,067,000	471,793	1,766,892	152,180,549	0.073	1,751	

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 of Hawthorne, 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>
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
2020	145,887,562	1,987,302	147,874,864	1.713	1,702

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 of Hawthorne, Finance Department

City of Hawthorne

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Total assessed valuation	\$ 5,636,931,461	\$ 5,731,138,643	\$ 5,830,998,139	\$ 6,001,205,947
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,409,232,865	1,432,784,661	1,457,749,535	1,500,301,487
Debt limit percentage	15%	15%	15%	15%
Debt limit	211,384,930	214,917,699	218,662,430	225,045,223
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 211,384,930</u>	<u>\$ 214,917,699</u>	<u>\$ 218,662,430</u>	<u>\$ 225,045,223</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 of Hawthorne, Finance Department
County of Los Angeles Tax Assessor's Office

(continued)

Fiscal Year				
2016	2017	2018	2019	2020
\$ 6,583,853,815	\$ 7,276,798,609	\$ 7,726,172,392	\$ 8,189,909,990	\$ 8,630,805,267
25%	25%	25%	25%	25%
1,645,963,454	1,819,199,652	1,931,543,098	2,047,477,498	2,157,701,317
15%	15%	15%	15%	15%
246,894,518	272,879,948	289,731,465	307,121,625	323,655,198
-	-	-	-	-
<u>\$ 246,894,518</u>	<u>\$ 272,879,948</u>	<u>\$ 289,731,465</u>	<u>\$ 307,121,625</u>	<u>\$ 323,655,198</u>
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		
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	
2020	973,932	788,303	200,246	0.99	

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 of Hawthorne, Finance Department

City of Hawthorne

Direct and Overlapping Debt As of June 30, 2020

	Percentage Applicable	Gross Bonded Debt Balance	Share of Overlapping Debt
Direct Debt			
2011 SERIES A REVENUE BONDS	100.000%	\$ 1,987,302	\$ 1,987,302
2016 COP SERIES A	100.000%	14,658,993	14,658,993
2016 COP SERIES B	100.000%	11,608,569	11,608,569
2016 DIRECT PLACEMENT LEASE FINANCING	100.000%	2,067,000	2,067,000
2019 PENSION OBLIGATION BONDS	100.000%	119,620,000	119,620,000
LOAN PAYABLE -WEST BASIN	100.000%	11,892	11,892
SECTION 108 LOAN PAYABLE	100.000%	1,755,000	1,755,000
CAPITAL LEASE PAYABLE - AT&T	100.000%	156,759	156,759
CAPITAL LEASE PAYABLE - RICOH COPIER	100.000%	91,597	91,597
CAPITAL LEASE PAYABLE - RADIO LEASE	100.000%	223,437	223,437
Total Direct Debt			152,180,549
Overlapping Debt			
METROPOLITAN WATER DISTRICT	0.517%	18,151,752	93,824
HAWTHORNE SD DS 1997 SERIES B	97.029%	826,840	802,276
HAWTHORNE SD DS 1997 SERIES C	97.029%	2,083,366	2,021,472
HAWTHORNE SD DS 2004 2005 SERIES A	97.029%	397,646	385,832
HAWTHORNE SD DS 2004 SERIES 2005B	97.029%	2,210,751	2,145,072
HAWTHORNE SD DS 2004, SERIES C 2008	97.029%	6,716,599	6,517,057
HAWTHORNE SD DS 2008,2009 SERIES A	97.029%	673,889	653,869
HAWTHORNE SD DS 2008 2012 SERIES B	97.029%	10,711,770	10,393,537
HAWTHORNE SD DS REF BONDS 2004 2015 SERIES A	97.029%	5,350,000	5,191,058
HAWTHORNE SD DS REF BONDS 97, 2015 SERIES B	97.029%	1,880,000	1,824,148
HAWTHORNE SD DS 2018 SERIES A	97.029%	35,000,000	33,960,195
HAWTHORNE SD DS 2018 SERIES B	97.029%	8,345,000	8,097,081
LAWNDALE ELEMENTARY SD DS 2020	19.914%	8,225,000	1,637,947
LAWNDALE ELEMENTARY SD DS 2010 REF BOND	19.914%	990,000	197,151
LAWNDALE ELEMENTARY SD DS 2016 SERIES A 2017	19.914%	8,855,000	1,763,407
LAWNDALE ELEMENTARY SD DS 2017 REF BOND	19.914%	5,020,000	999,696
LAWNDALE ELEMENTARY SD DS 2016 SERIES B	19.914%	10,000,000	1,991,425
LENNOX SD DS 1998 SERIES A	7.868%	896,484	70,531
LENNOX SD DS 1998 SERIES 2002B	7.868%	1,064,365	83,739
LENNOX SD DS 1998 SERIES 2012A QSCB	7.868%	2,775,000	218,323
LENNOX SD DS 2007 SERIES 2016	7.868%	1,581,044	124,389
LENNOX SD DS 2016 REF BONDS	7.868%	3,323,746	261,496
LENNOX SD DS 2016 SERIES 2017	7.868%	24,655,346	1,939,762
CENTINELA-WISEBURN UNION HSD 2002 REF BOND S-A	57.275%	10,370,000	5,939,369
CENTINELA-WISEBURN UNION HSD 2004 REF BOND S-A	57.275%	23,480,000	13,448,059
CENTINELA-WISEBURN UNION HSD 2008 SERIES A	57.275%	17,842,982	10,219,484
CENTINELA-WISEBURN UNION HSD 2010, 11 SERIES A	57.275%	344,533	197,330
CENTINELA-WISEBURN UNION HSD 2010, 12 SERIES B	57.275%	5,237,649	2,999,839
CENTINELA-WISEBURN UNION HSD 2008 2013 SERIES B	57.275%	4,305,000	2,465,668
CENTINELA-WISEBURN UNION HSD DS 2008 2014 SERIES C	57.275%	17,420,000	9,977,223
CENTINELA-WISEBURN UNION HSD 2008, 2014 SERIES D	57.275%	6,730,000	3,854,576
CENTINELA-WISEBURN UNION HSD 2016 REF BOND	57.275%	26,790,000	15,343,846
CENTINELA-WISEBURN UNION HSD 2016 REF BOND C	57.275%	137,765,000	78,904,254
CENTINELA-WISEBURN SFID DS 2016 2017 SERIES A	34.859%	52,885,000	18,434,957
CENTINELA-WISEBURN SFID DS 2016 2018 SERIES B	34.859%	55,000,000	19,172,216
EL CAMINO CCD DS 2002 SERIES 2012C	6.603%	175,210,018	11,569,444
EL CAMINO CCD DS 2012 REF BONDS	6.603%	25,335,000	1,672,917
EL CAMINO CCD DS 2012 SERIES 2016 A	6.603%	88,550,000	5,847,121
EL CAMINO CCD DS 2016 REF BONDS	6.603%	66,625,000	4,399,373
EL CAMINO CCD DS 2012 SERIES 2018B	6.603%	48,610,000	3,209,809
LA CCD DS 2003 TAXABLE SERIES 2004B	0.085%	2,115,000	1,808
LA CCD DS 2001 TAXABLE SERIES 2004A	0.085%	31,555,000	26,976
LA CCD DS 2008, 2009 TAXABLE SER B	0.085%	75,000,000	64,117
LA CCD DS 2008, 2010 TAX SERIES D	0.085%	125,000,000	106,862
LA CCD DS 2008, 2010 TAX SER E (BABS)	0.085%	900,000,000	769,406

Notes:

[1] This fund is a portion of a larger agency and is responsible for debt in areas outside the city
Source: HdL Coren & Core, Los Angeles County Assessor 2019/2020 Combined Tax Rolls

City of Hawthorne

Direct and Overlapping Debt, (continued) As of June 30, 2020

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percentage Applicable	Gross Bonded Debt Balance	Share of Overlapping Debt
Overlapping Debt (Continued)			
LA CCD DS 2008 2012 SERIES F	0.085%	199,000,000	170,124
LA CCD DS 2013 REF BONDS	0.085%	35,410,000	30,272
LA CCD DS 2008 SERIES G	0.085%	205,725	175,873
LA CCD DS 2015 REF SERIES A	0.085%	1,395,190,000	1,192,741
LA CCD DS 2015 REF SERIES B	0.085%	24,305,000	20,778
LA CCD DS 2015 REF SERIES C	0.085%	230,015,000	196,639
LA CCD DS 2008 SERIES I	0.085%	197,360,000	168,722
LA CCD DS 2016 REF BONDS	0.085%	813,785,000	695,701
INGLEWOOD USD DS 2007 REF BONDS	0.044%	27,950,000	12,435
INGLEWOOD USD DS 2012 SERIES A	0.044%	25,515,000	11,351
INGLEWOOD USD DS 2016 REF BONDS	0.044%	33,950,000	15,104
INGLEWOOD USD DS 2012 SERIES B	0.044%	57,300,000	25,492
LOS ANGELES UNIF DS 2002 SERIES E	0.105%	200,000,000	209,536
LOS ANGELES UNIF DS 2005 SERIES H	0.105%	80,625,000	84,469
LOS ANGELES UNIF MEASURE R SERIES KRY BABS	0.105%	363,005,000	380,314
LOS ANGELES UNIF MEASURE Y 2009 SERIES KRY BABS	0.105%	806,795,000	845,265
LOS ANGELES UNIF MEASURE K 2010 SERIES KRY	0.105%	145,250,000	152,176
LOS ANGELES UNIF MEASURE R 2010 SERIES KRY	0.105%	143,360,000	150,196
LOS ANGELES UNIF MEASURE Y 2010 SERIES KRY	0.105%	95,770,000	100,337
LOS ANGELES UNIF MEASURE R 2010 SERIES RY BABS	0.105%	477,630,000	500,404
LOS ANGELES UNIF MEASURE R 2010 SERIES RY BABS	0.105%	772,955,000	809,811
LOS ANGELES UNIF DS 2005 2010 SERIES J-1 QSCBS	0.105%	286,760,000	300,433
LOS ANGELES UNIF DS 2005 2010 SERIES J-2 QSCBS	0.105%	153,350,000	160,662
LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A	0.105%	104,795,000	109,792
LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A	0.105%	141,880,000	148,645
LOS ANGELES UNIF DS 2012 REFUNDING BOND SERIES A	0.105%	95,760,000	100,326
LOS ANGELES UNIF DS 2014 REF BOND SERIES A	0.105%	58,580,000	61,373
LOS ANGELES UNIF DS 2014 REF BOND SERIES B	0.105%	150,940,000	158,137
LOS ANGELES UNIF DS 2014 REF BOND SERIES C	0.105%	821,985,000	861,179
LOS ANGELES UNIF DS 2014 REF BOND SERIES D	0.105%	130,045,000	136,246
LOS ANGELES UNIF DS 2015 REF BONDS SERIES A	0.105%	269,400,000	282,246
LOS ANGELES UNIF DS 2008 SERIES A	0.105%	600,270,000	628,892
LOS ANGELES UNIF DS 2016 REF BONDS SERIES A	0.105%	403,410,000	422,645
LOS ANGELES UNIF DS 2016 REF BONDS SERIES B	0.105%	498,240,000	521,997
LOS ANGELES UNIF DS 2017 REF BONDS SER A PROP BB	0.105%	113,455,000	118,865
LOS ANGELES UNIF DS 2017 REF BONDS SER A MEAS K	0.105%	921,240,000	965,167
LOS ANGELES UNIF DS 2005 SERIES M 1 2018	0.105%	114,165,000	119,609
LOS ANGELES UNIF DS 2008 SERIES B 1 2018	0.105%	1,060,780,000	1,111,360
LOS ANGELES UNIF DS 2019 REF 2002 SER D MEAS K	0.105%	150,055,000	157,210
LOS ANGELES UNIF DS 2019 REF 2004 SER I MEAS R	0.105%	333,005,000	348,883
LOS ANGELES UNIF DS 2019 REF 2005 SER F MEAS Y	0.105%	90,085,000	94,380
LOS ANGELES UNIF DS 2019 REF SER KRY 2009	0.105%	952,160,000	997,561
WISEBURN USD DS 1997 SERIES A	15.023%	796,021	119,586
WISEBURN USD DS 1997 SERIES 1999A	15.023%	957,233	143,804
WISEBURN USD DS 2000 SERIES 2001	15.023%	25,350,881	3,808,440
WISEBURN USD DS 2010 2010 SERIES A	15.023%	514,198	77,247
WISEBURN USD DS 2010 2012 SERIES C	15.023%	13,000,724	1,953,087
WISEBURN USD DS 2010 2011 SERIES B	15.023%	31,675,135	4,758,527
WISEBURN USD DS 2010 2013 SERIES D	15.023%	4,700,000	706,077
WISEBURN USD DS REF BONDS 2015 SERIES A	15.023%	5,065,000	760,910
WISEBURN USD DS REF BONDS 2015 SERIES B	15.023%	3,955,000	594,156
WISEBURN USD DS REF BONDS 2016 SERIES A	15.023%	35,480,000	5,330,128
Total overlapping debt		\$ 15,753,133,697	322,003,251

Total Direct and Overlapping Debt

\$ 474,183,800

2019/20 Assessed Valuation: \$6,622,186,479 After Deducting \$1,926,611,293 Incremental Value.

Debt To Assessed Valuation Ratios:

Direct Debt	2.30%
Overlapping Debt	4.86%
Total Debt	7.16%

Notes:

[1] 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 2019/2020 Combined Tax Rolls

[2] Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city.

The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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>
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%
2019	6.08	86,903	-1.08%	2,078,695	23,920	4.4%

Sources:

HdL Coren & Cone

City of Hawthorne

Principal Employers Current Year and Nine Years Ago

Employer	2020			2011		
	Number of Employees	Rank	Percent of Total Employment (1)	Number of Employees	Rank	Percent of Total Employment (1)
Space Exploration Technologies (1)	5,094	1	11.79%			0.00%
Amazon Fulfillment Center	1,500	2	3.47%			
Hawthorne School District	875	3	2.03%			0.00%
City of Hawthorne	319	4	0.74%			0.00%
Home Depot	305	5	0.71%			0.00%
OSI Systems Inc	272	6	0.63%			0.00%
Target	266	7	0.62%			0.00%
Lithographix Inc	253	8	0.59%			0.00%
Teledyne Relays	250	9	0.58%			0.00%
Wiseburn Unified School District(2)	243	10	0.56%			0.00%
Total	9,377		21.71%	-		0.00%
Total City Employment (3)	43,200					

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>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>	<u>2020</u>
General government	137	130	132	139	132	120	130	129	141	123
Public safety	101	103	106	109	108	112	100	99	97	98
Public works, streets maint	46	47	42	43	46	47	48	45	45	43
Comm dev-planning, building, housing	27	27	27	34	32	28	26	27	30	27
Recreation & Comm-serv, parks	<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>	<u>90</u>
Total	<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>	<u>381</u>

Source: City of Hawthorne, Finance Department

City of Hawthorne

Operating Indicators by Function Last Ten Years

<u>Function/Program</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
General Government:			
Number of business licenses issued	5,547	4,719	5,662
Number of requests for public information	80	54	62
Number of new hires including part-time	37	42	45
Number of invoices processed	13,580	12,911	10,863
Public Safety:			
Police:			
Number of emergency calls	53,344	57,706	56,130
Fire:			
Contracts with the Los Angeles	N/A	N/A	N/A
Highways and Streets:			
Number of street lights added in current year	-	-	-
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	681
Approximate number of building inspections conducted	6,911	7,914	10,143
Number of new business licenses issued	615	533	702

Source: Various City Departments.

(continued)

<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
5,473	5,021	6,221	5,992	5,752	6,588	6,001
56	158	152	223	201	179	188
62	57	97	95	84	96	39
11,000	10,007	9,478	21,887	20,958	19,501	19,486
60,115	57,348	51,402	40,002	39,703	40,658	42,221
N/A	N/A	N/A	N/A	N/A	N/A	N/A
1	-	-	1	2	-	3
-	1	-	1	-	2	-
15,184	15,184	15,184	15,184	15,184	15,184	15,184
-	-	-	-	-	-	-
993	993	993	993	993	997	997
811	783	867	889	847	1,044	300
24,123	23,987	24,280	25,494	30,625	30,520	11,757
80	100	80	80	30	2,458	1,708
565	563	577	605	701	3,490	2,442
18,750	18,750	18,750	18,750	16,841	17,290	13,125
673	716	712	594	775	695	644
9,893	8,845	7,020	4,000	6,200	6,475	4,000
611	719	839	764	669	930	686

City of Hawthorne

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public Safety:					
Police (1)					
Number of police stations	1	1	1	1	1
Number of emergency vehicles	85	80	80	79	76
Fire					
Number of fire stations (1)	N/A	N/A	N/A	N/A	N/A
Number of emergency vehicles	N/A	N/A	N/A	N/A	N/A
Highways and Streets:					
Miles of streets (2)	91	91	91	91	91
Number of street lights	3,634	3,639	3,639	3,639	3,639
Culture and Recreation:					
Parks	9	10	10	10	10
Acres of park land	50.23	50.38	50.38	50.38	50.38
Pools	1	1	1	1	1

Notes:

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

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

Sources: Various City departments.

(continued)

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1 99	1 96	1 96	1 101	1 113
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
10 50.38 1	10 50.38 1	10 50.38 1	10 47.14 2	10 47.14 2

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