



**CITY OF HAWTHORNE, CALIFORNIA
AIR QUALITY IMPROVEMENT TRUST FUND**

AUDIT REPORT

JUNE 30, 2009

Lance Soll & Lunghard, LLP

203 North Brea Blvd
Suite 203
Brea, CA 92821

41185 Golden Gate Circle
Suite 103
Murrieta, CA 92562

CITY OF HAWTHORNE, CALIFORNIA
AIR QUALITY IMPROVEMENT TRUST FUND

AUDIT REPORT

JUNE 30, 2009

CITY OF HAWTHORNE
AIR QUALITY IMPROVEMENT TRUST FUND

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report.....	1
Financial Statements	
Balance Sheet / Statement of Net Assets.....	2
Statement of Revenues, Expenditures and Changes in Fund Balances / Statement of Activities	3
Notes to Financial Statements	4
Independent Auditors' Compliance Report Based on an Audit of the Air Quality Improvement Trust Fund	5
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Air Quality Improvement Trust Fund Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
Schedule of Findings and Recommendations.....	8

- Brandon W. Burrows, CPA
- Donald L. Parker, CPA
- Michael K. Chu, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Hawthorne, California

We have audited the accompanying financial statements of the Air Quality Improvement Trust Fund of the City of Hawthorne as of and for the year ended June 30, 2009. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Air Quality Improvement Trust Fund and are not intended to present fairly the financial position and results of operations of the City of Hawthorne in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Air Quality Improvement Trust Fund of the City of Hawthorne at June 30, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lance, Soll & Lunghard, LLP

January 5, 2010

CITY OF HAWTHORNE
AIR QUALITY IMPROVEMENT TRUST FUND

BALANCE SHEET / STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Funds	Reclassification and Eliminations	Statement of Net Assets
Assets:			
Cash	\$ 173,725	\$ -	\$ 173,725
Motor vehicle fee receivables	28,141	-	28,141
Accrued interest	873	-	873
Total Assets	\$ 202,739	\$ -	\$ 202,739
Fund Balance/Net Assets:			
Unreserved/undesignated	\$ 202,739	\$ -	\$ 202,739
Total Fund Balance	202,739	-	202,739
Total Liabilities and Fund Balance/Net Assets	\$ 202,739	\$ -	\$ 202,739

CITY OF HAWTHORNE
AIR QUALITY IMPROVEMENT TRUST FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE / STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Intergovernmental	\$ 103,652	\$ -	\$ 103,652
Use of money and property	5,921	-	5,921
Total Revenues	109,573	-	109,573
Expenditures:			
Direct program	161,682	-	161,682
Total Expenditures	161,682	-	161,682
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,109)	-	(52,109)
Fund Balance:			
Beginning of Fiscal Year	254,848	-	254,848
End of Fiscal Year	\$ 202,739	\$ -	\$ 202,739

CITY OF HAWTHORNE
AIR QUALITY IMPROVEMENT TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1: Organization and Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements for the Air Quality Improvement Trust Fund of the City of Hawthorne, California have been prepared on the modified accrual basis of accounting.

b. Air Quality Improvement Trust Fund

California Assembly Bill 2766 (AB 2776) authorizes air pollution control districts to levy fees on motor vehicles. Fees are to be used to reduce air pollution. Under this program, the Department of Motor Vehicles collects the fees and subvenes the amounts to the South Coast Air Quality Management District (SCAQMD) for vehicles registered in the SCAQMD. Forty cents of every dollar subvented to SCAQMD is allocated to the cities and counties in the SCAQMD proportionately based on population. The amounts attributable to the City of Hawthorne are maintained in a special revenue fund administered by the City of Hawthorne.

The accompanying financial statements present only the Air Quality Improvement Trust Fund of the City and do not include any other funds of the City. The City has issued its Basic Financial Statements under a separate cover dated January 5, 2010.

- Brandon W. Burrows, CPA
- Donald L. Parker, CPA
- Michael K. Chu, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA

INDEPENDENT AUDITORS' COMPLIANCE REPORT BASED
ON AN AUDIT OF THE AIR QUALITY IMPROVEMENT TRUST FUND

To the Honorable Mayor and Members of the City Council
City of Hawthorne, California

We have audited the Air Quality Improvement Trust Fund financial statements of the City of Hawthorne, California, as of and for the year ended June 30, 2009, and have issued our report thereon dated January 5, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard 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 Air Quality Improvement Trust Fund financial statements are free of material misstatement.

Compliance with laws, regulations and contracts applicable to the City of Hawthorne is the responsibility of the City of Hawthorne. As part of obtaining reasonable assurance about whether the Air Quality Improvement Trust Fund financial statements are free of material misstatement, we performed tests of the City of Hawthorne's compliance with applicable provisions of Assembly Bill 2766 (AB 2766) Chapter 1705 (Health and Safety Code Sections 44220 through 44247). However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the City of Hawthorne complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Hawthorne had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the City Council, City Management and the South Coast Air Quality Management District and is not intended to be, and should not be, used by anyone other than these specified parties.

Lance, Soll & Lunghard, LLP

January 5, 2010

- Brandon W. Burrows, CPA
- Donald L. Parker, CPA
- Michael K. Chu, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE AIR QUALITY IMPROVEMENT TRUST FUND FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of Hawthorne, California

We have audited the Air Quality Improvement Trust Fund financial statements of the City of Hawthorne, California, (the "City") as of and for the year ended June 30, 2009, and have issued our report thereon dated January 5, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. With respect to the Air Quality Improvement Trust Fund, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



To the Honorable Mayor and Members of the City Council
City of Hawthorne, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hawthorne's Air Quality Improvement Trust Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, the City Management and the South Coast Air Quality Management District and is not intended to be and should not be used by anyone other than these specified parties.

Lance, Soll & Lughard, LLP

January 5, 2010

CITY OF HAWTHORNE
AIR QUALITY IMPROVEMENT TRUST FUND

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Findings/Recommendations</u>	<u>Questioned Costs</u>
Findings: None	<u>\$ -</u>