LSL
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HAWTHORNE, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2010

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CITY OF HAWTHORNE, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2010

Prepared by the Department of Finance

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CITY OF HAWTHORNE

FINANCIAL STATEMENTS

JUNE 30, 2010

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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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hawthorne, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hawthorne's management. 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 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 statements presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not adopted a methodology for reviewing the collectability of the notes and loans receivables which are fully offset by deferred revenue in an equal amount. Therefore, the collectability of the loans and notes receivables could not be determined and the related deferred revenue could not be ascertained. Since these notes and loans receivables are fully offset by deferred revenue in an equal amount, there is no effect on fund balances and on net assets.

In our opinion, except for the notes and loans receivables and related deferred revenue as described in the preceding paragraph, 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, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund and the South Bay Workforce Investment Board Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2011, on our consideration of the City of Hawthorne's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards,* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lance, Soll & Lunghard, LLP

April 28, 2011

CITY OF HAWTHORNE

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hawthorne, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Hawthorne for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- At June 30, 2010, the City's net assets (excess of assets over liabilities) were $54.9 million. Of this amount, $14.7 million has already been set aside to meet certain ongoing operations of the City.

- During the fiscal year ended June 30, 2010, the City's unrestricted net assets decreased by $15.1 million.

- At the end of the fiscal year ended June 30, 2010, unreserved fund balance for the General Fund was $8.6 million, or 17.2 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

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 Community Redevelopment Agency 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.

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting,* which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the City activities as follows:

Governmental Activities
Most of the City's basic services are reported in this category, including Administration, Public Safety, Public Works, Community Development, and Parks and Recreation. Property, business, hotel and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-Type Activities
The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Airport and Sewer and Storm Drain activities are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law and bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other funding sources.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, proprietary and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report assets and liabilities and do not have a measurement focus.

Governmental Funds—The 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 Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

To better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Fund Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation of the statements is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

The major governmental funds include the General Fund, The South Bay Workforce Investment Board Fund and The Community Redevelopment Agency Capital Projects Fund, which are reported in detail in the Governmental Fund Financial Statements. All other funds are shown in the aggregate as other governmental funds. Individual fund data for other non-major governmental funds is provided in the form of supplementary information elsewhere in the report.

Proprietary Funds—The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses enterprise funds to account for its Airport and Sewer and Storm Drain operations. Internal service funds are an accounting device 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. Because these services predominantly benefit the governmental rather than business-type activities, they have been included within governmental 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.

Fiduciary Funds—The City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the resources of these funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets are a good indicator of the City's financial position. For the fiscal year ended June 30, 2010, net assets of the City were $54.9 million, which is a decrease of $8.6 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2010 and 2009.

City of Hawthorne
Net Assets (dollars in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 93,906	$ 90,180	$ (662)	$ 1,002	$ 93,244	$ 91,182
Capital assets	118,485	115,465	11,477	9,495	129,962	124,960
Total Assets	212,391	205,645	10,815	10,497	223,206	216,142
Long-term liabilities outstanding	140,944	143,958	109	103	141,053	144,061
Other liabilities	26,435	8,128	828	390	27,263	8,518
Total Liabilities	167,379	152,086	937	493	168,316	152,579
Net assets:						
Invested in Capital Assets						
Net of Related Debt	41,658	36,456	11,477	9,495	53,135	45,951
Restricted	14,716	15,517			14,716	15,517
Unrestricted	(11,362)	1,586	(1,599)	509	(12,961)	2,095
Total Net Assets	$ 45,012	$ 53,559	$ 9,878	$ 10,004	$ 54,890	$ 63,563

Approximately $53 million (96.6%) of the City's net assets consist of the City's investment in capital assets such as land, buildings, machinery and equipment, less any related debt to acquire those assets that is still outstanding. These assets are used to provide services to the citizens of the City of Hawthorne; therefore, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets totaling approximately $14.4 million (26%) represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is generally used to meet the City's ongoing obligations to citizens and creditors. In this case, the net effect of assets versus liabilities coupled with restrictions for investments in capital assets created a negative number in unrestricted assets.

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2010 and 2009.

City of Hawthorne
Changes in Net Assets (dollars in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 9,423	$ 10,368	$ 1,260	$ 1,508	$ 10,683	$ 11,876
Operating contributions and grants	100,757	39,417			100,757	39,417
Capital contributions and grants	4,967	136	79	932	5,046	1,068
General revenues:						
Property taxes	24,583	25,721			24,583	25,721
Other taxes	25,031	25,994			25,031	25,994
Other	4,029	5,904	414	414	4,443	6,318
Total Revenues	168,790	107,540	1,753	2,854	170,543	110,394
Expenses:						
General government	17,791	18,363			17,791	18,363
Public safety	37,005	38,937			37,005	38,937
Community development	117,997	32,454			117,997	32,454
Parks and recreation	1,742	1,544			1,742	1,544
Public works	12,127	12,188			12,127	12,188
Interest on long-term debt	6,349	6,637			6,349	6,637
Airport			929	996	929	996
Sewer and storm drain			950	991	950	991
Total Expenses	193,011	110,123	1,879	1,987	194,890	112,110
Increase (decrease) in net assets before transfers	(24,221)	(2,583)	(126)	867	(24,347)	(1,716)
Transfers					0	0
Increase (decrease) in net assets	(24,221)	(2,583)	(126)	867	(24,347)	(1,716)
Net assets - 6/30/09, as restated	69,233	56,142	10,004	9,137	79,237	65,279
Net assets - 6/30/10	$ 45,012	$ 53,559	$ 9,878	$ 10,004	$ 54,890	$ 63,563

Governmental Activities

The City's net assets from governmental activities totaled $45.0 million. The cost of all governmental activities this year was $193 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only $77.8 million because some of the cost was paid by those who directly benefited from the programs ($9.4 million), or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions ($105.7 million). Overall, the City's governmental program revenues were $115.1 million. The City paid for the remaining "public benefit" portion of governmental activities with $53.6 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest earnings and general entitlements.

Revenue highlights:

- General Revenues decreased $4 million from the prior year mainly due to a decrease in property taxes and utility users' taxes.

- Charges for services decreased nearly $950,000 due to a decrease in the collection of development impact fees as well as an increase in the interest earned on the City's investments in the Local Agency Investment Fund (LAIF).

- Operating and Capital contributions and grants increased $66.2 million. This increase is principally related to the award of federal stimulus grants for street improvement projects and employment programs provided through the SBWIB.

Expense highlights:

- Expenses increased overall by $82.9 million. This is an unusually large increase that can be attributed to additional contributions and grants (approximately $66.3 million) not received in the prior year. Any decreases are a result of reductions in personnel costs due to reduction in overtime costs and employee concessions.

Business Type Activities

The City's business-type activities decreased net assets by $126,073. Key elements of this decrease are as follows:

Revenue Highlights:

- Total program revenue in the business-type activities decreased by $1.1 million primarily due to the completion of the Hawthorne Airport improvement projects funded by Federal Aviation Administration grants and contributions from third parties.

Expense Highlights:

- Total expenses in the business-type activities decreased by nearly $112,000 as a result of the completion of Hawthorne Airport improvement projects and Sewer construction projects.

FUND FINANCIAL STATEMENT ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of the end of Fiscal Year 2009-10, the City's governmental funds reported combined ending fund balance deficit of $16.1 million, an increase of $8.6 million in comparison with the prior fiscal year. Of this amount, $22.4 million is reserved to indicate that it is not available for appropriation because it had already been committed for various purposes.

The General Fund is the chief operating fund of the City. At the end of Fiscal Year 2009-10, unreserved fund balance of the General Fund was $8.6 million, while the total fund balance was $28.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. At June 30, 2010, unreserved fund balance was 16.3 percent of total General Fund expenditures and transfers out, while total fund balance was 54.9 percent of total expenditures and transfers out.

The City's General Fund balance shows a decrease of $2.5 million in Fiscal Year 2009-10 as compared to an increase of $14,866 in Fiscal Year 2008-09.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning these funds have already been addressed in the discussion of Government-wide Financial Analysis of business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets Including Infrastructure

Capital assets including infrastructure of the City are those assets that are used in the performance of the City's functions. At June 30, 2010, net capital assets totaled $118.5 million for governmental activities and $11.5 million for business-type activities, including depreciation on capital assets, which is recognized in the Government-Wide Financial Statements.

This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure (streets, sidewalks, traffic signals, etc.), and machinery and equipment. The total increase in the City's investment in capital assets for Fiscal Year 2009-10 was $5 million, or 4 percent.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Hawthorne's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department, at the City of Hawthorne, 4455 West 126th Street, Hawthorne, CA 90250.

CITY OF HAWTHORNE

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
Assets:			
Cash and investments	$ 18,760,560	$ -	$ 18,760,560
Receivables:			
Accounts	5,437,866	143,125	5,580,991
Accrued interest	32,591	-	32,591
Taxes	1,710,026	-	1,710,026
Contracts and notes	7,288,739	-	7,288,739
Internal balances	805,143	(805,143)	-
Prepaid costs	844,205	-	844,205
Due from other governments	25,461,453	-	25,461,453
Inventories	71,223	-	71,223
Deferred charges	2,042,689	-	2,042,689
Net pension asset	24,828,322	-	24,828,322
Investment in joint venture	3,991,328	-	3,991,328
Restricted assets:			
Cash with fiscal agent	2,632,036	-	2,632,036
Capital assets not being depreciated	7,748,529	37,314	7,785,843
Capital assets, net of depreciation	110,736,580	11,439,536	122,176,116
Total Assets	**212,391,290**	**10,814,832**	**223,206,122**
Liabilities:			
Accounts payable	21,522,674	748,600	22,271,274
Accrued liabilities	1,396,189	22,717	1,418,906
Accrued interest	1,427,211	-	1,427,211
Unearned revenue	302,242	42,636	344,878
Deposits payable	69,862	14,033	83,895
Due to other governments	1,716,601	-	1,716,601
Noncurrent liabilities:			
Due within one year	6,920,935	13,628	6,934,563
Due in more than one year	134,022,991	95,233	134,118,224
Total Liabilities	**167,378,705**	**936,847**	**168,315,552**
Net Assets:			
Invested in capital assets, net of related debt	41,657,641	11,476,850	53,134,491
Restricted for:			
Community development projects	3,323,796	-	3,323,796
Public safety	724,352	-	724,352
Capital projects	5,955,329	-	5,955,329
Debt service	4,713,060	-	4,713,060
Unrestricted	(11,361,593)	(1,598,865)	(12,960,458)
Total Net Assets	**$ 45,012,585**	**$ 9,877,985**	**$ 54,890,570**

See Notes to Financial Statements

CITY OF HAWTHORNE

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Contributions and Grants**	**Capital Contributions and Grants**
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	$ 17,791,458	$ 3,096,768	$ 3,414,779	$ -
Public safety	37,004,973	3,945,955	1,543,870	-
Community development	117,997,385	43,963	93,126,571	286,706
Parks and recreation	1,741,604	659,468	38,809	-
Public works	12,126,842	1,676,623	2,633,450	4,680,380
Interest on long-term debt	6,348,733	-	-	-
Total Governmental Activities	**193,010,995**	**9,422,777**	**100,757,479**	**4,967,086**
Business-Type Activities:				
Airport	928,693	159,581	-	79,153
Sewer and Storm Drain	950,602	1,100,512	-	-
Total Business-Type Activities	**1,879,295**	**1,260,093**	**-**	**79,153**
Total Primary Government	**$ 194,890,290**	**$ 10,682,870**	**$ 100,757,479**	**$ 5,046,239**

General Revenues:
Taxes:
Property taxes, levied for general purpose
Transient occupancy taxes
Sales taxes
Franchise taxes
Business licenses taxes
Utility users tax
Other taxes
Motor vehicle in lieu - unrestricted
Use of money and property
Other

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year
Restatement of Net Assets

Net Assets at End of Year

See Notes to Financial Statements

Net (Expenses) Revenues and Changes in Net Assets Primary Government		
Governmental Activities	**Business-Type Activities**	**Total**
$ (11,279,911)	$ -	$ (11,279,911)
(31,515,148)	-	(31,515,148)
(24,540,145)	-	(24,540,145)
(1,043,327)	-	(1,043,327)
(3,136,389)	-	(3,136,389)
(6,348,733)	-	(6,348,733)
(77,863,653)	**-**	**(77,863,653)**
-	(689,959)	(689,959)
-	149,910	149,910
-	**(540,049)**	**(540,049)**
(77,863,653)	**(540,049)**	**(78,403,702)**
24,583,033	-	24,583,033
1,916,962	-	1,916,962
10,187,490	-	10,187,490
1,881,614	-	1,881,614
4,107,323	-	4,107,323
6,714,303	-	6,714,303
223,331	-	223,331
264,107	-	264,107
662,160	413,976	1,076,136
3,102,494	-	3,102,494
53,642,817	**413,976**	**54,056,793**
(24,220,836)	(126,073)	(24,346,909)
53,558,899	10,004,058	63,562,957
15,674,522	-	15,674,522
$ 45,012,585	**$ 9,877,985**	**$ 54,890,570**

See Notes to Financial Statements

CITY OF HAWTHORNE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

		Special Revenue Fund	Capital Projects Fund
	General	South Bay Workforce Invest. Board	Community Redevelopment Agency
Assets:			
Cash and investments	$ 346,552	$ -	$ 4,997,254
Receivables:			
Accounts	3,988,609	-	-
Taxes	125,096	-	312,686
Notes and loans	-	-	298,952
Accrued interest	10,079	-	9,717
Prepaid costs	-	-	-
Due from other governments	-	24,124,805	-
Due from other funds	7,116,588	-	-
Advances to other funds	59,485,426	-	-
Inventories	56,912	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	**$ 71,129,262**	**$ 24,124,805**	**$ 5,618,609**
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	$ 845,702	$ 19,088,323	$ 621,394
Accrued liabilities	1,127,607	176,684	4,859
Deferred revenues	40,208,098	3,348,265	298,952
Unearned revenues	12,487	-	-
Deposits payable	25,000	-	26,965
Due to other governments	21,921	1,535,747	-
Due to other funds	-	748,192	-
Advances from other funds	-	-	59,485,426
Total Liabilities	**42,240,815**	**24,897,211**	**60,437,596**
Fund Balances:			
Reserved:			
Reserved for encumbrances	101,884	28,162	-
Reserved for prepaid costs	-	-	-
Reserved for advances to other funds	20,124,856	-	-
Reserved for inventory	56,912	-	-
Reserved for capital projects	-	-	-
Reserved for compensated absences	-	1,052,374	-
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Undesignated	8,604,795	(1,852,942)	(54,818,987)
Total Fund Balances	**28,888,447**	**(772,406)**	**(54,818,987)**
Total Liabilities and Fund Balances	**$ 71,129,262**	**$ 24,124,805**	**$ 5,618,609**

See Notes to Financial Statements

CITY OF HAWTHORNE

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	Other Governmental Funds	Total Governmental Funds
Assets:		
Cash and investments	$ 11,251,830	$ 16,595,636
Receivables:		
Accounts	1,449,257	5,437,866
Taxes	1,272,244	1,710,026
Notes and loans	6,679,787	6,978,739
Accrued interest	12,795	32,591
Prepaid costs	844,205	844,205
Due from other governments	1,336,648	25,461,453
Due from other funds	-	7,116,588
Advances to other funds	-	59,485,426
Inventories	-	56,912
Restricted assets:		
Cash and investments with fiscal agents	2,632,036	2,632,036
Total Assets	**$ 25,478,802**	**$ 126,351,478**
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	$ 446,927	$ 21,002,346
Accrued liabilities	69,905	1,379,055
Deferred revenues	7,554,908	51,410,223
Unearned revenues	289,755	302,242
Deposits payable	17,897	69,862
Due to other governments	158,933	1,716,601
Due to other funds	6,368,396	7,116,588
Advances from other funds	-	59,485,426
Total Liabilities	**14,906,721**	**142,482,343**
Fund Balances:		
Reserved:		
Reserved for encumbrances	21,741	151,787
Reserved for prepaid costs	844,205	844,205
Reserved for advances to other funds	-	20,124,856
Reserved for inventory	-	56,912
Reserved for capital projects	120,000	120,000
Reserved for compensated absences	-	1,052,374
Unreserved:		
Unreserved, reported in nonmajor:		
Special revenue funds	942,806	942,806
Capital projects funds	2,893,989	2,893,989
Debt service funds	5,749,340	5,749,340
Undesignated	-	(48,067,134)
Total Fund Balances	**10,572,081**	**(16,130,865)**
Total Liabilities and Fund Balances	**$ 25,478,802**	**$ 126,351,478**

See Notes to Financial Statements

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CITY OF HAWTHORNE

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Fund balances of governmental funds	$ (16,130,865)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	117,048,381
Investments in joint venture have not been included as financial resources in governmental fund activity.	3,991,328
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the Statement of Net Assets.	2,042,689
Net pension asset relates to the pension obligation bonds used to prepaid the PERS unfunded obligation. This prepayment was recorded as an expenditure in the governmental funds statements when made, but the prepayment is amortized over the PERS actuarial amortization period in the government-wide statements.	24,828,322
Long-term debt and compensated absences have not been included in the governmental fund activity:	
Long-term liabilities	(129,178,533)
Compensated Absences	(6,874,847)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.	(1,427,211)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in intergovernmental revenues in the governmental fund activity.	51,410,223
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the Statement of Net Assets.	(696,902)
Net assets of governmental activities	**$ 45,012,585**

CITY OF HAWTHORNE

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

		Special Revenue Fund	Capital Projects Fund
	General	South Bay Workforce Invest. Board	Community Redevelopment Agency
Revenues:			
Taxes	$ 36,743,462	$ -	$ 2,346,500
Licenses and permits	1,477,382	-	-
Intergovernmental	1,116,062	101,745,331	-
Charges for services	4,669,203	-	-
Use of money and property	784,058	-	427,355
Fines and forfeitures	2,522,421	-	-
Contributions	2,197,250	-	-
Miscellaneous	643,846	-	1,043
Total Revenues	**50,153,684**	**101,745,331**	**2,774,898**
Expenditures:			
Current:			
General government	6,995,178	-	5,707,190
Public safety	36,171,960	-	-
Community development	1,364,941	102,256,810	19,939
Parks and recreation	1,649,491	-	-
Public works	3,847,581	-	-
Capital outlay	106,193	107,737	2,458,879
Debt service:			
Principal retirement	19,127	-	38,000
Interest and fiscal charges	2,695	-	1,193,260
Total Expenditures	**50,157,166**	**102,364,547**	**9,417,268**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,482)	(619,216)	(6,642,370)
Other Financing Sources (Uses):			
Transfers in	-	-	5,200,000
Transfers out	(2,494,961)	-	-
Notes and loans issued	-	-	1,125,000
Total Other Financing Sources (Uses)	**(2,494,961)**	**-**	**6,325,000**
Net Change in Fund Balances	$ (2,498,443)	$ (619,216)	$ (317,370)
Fund Balances:			
Beginning of year, as originally reported	$ 31,386,890	$ (15,566,387)	$ (54,501,617)
Restatements	-	15,413,197	-
Beginning of year, as restated	31,386,890	(153,190)	(54,501,617)
Net change in fund balances	(2,498,443)	(619,216)	(317,370)
End of Year	**$ 28,888,447**	**$ (772,406)**	**$ (54,818,987)**

See Notes to Financial Statements

CITY OF HAWTHORNE

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Other Governmental Funds	Total Governmental Funds
Revenues:		
Taxes	$ 10,645,150	$ 49,735,112
Licenses and permits	8,863	1,486,245
Intergovernmental	22,991,763	125,853,156
Charges for services	298,564	4,967,767
Use of money and property	94,487	1,305,900
Fines and forfeitures	338,751	2,861,172
Contributions	320,200	2,517,450
Miscellaneous	2,987,159	3,632,048
Total Revenues	**37,684,937**	**192,358,850**
Expenditures:		
Current:		
General government	3,502,640	16,205,008
Public safety	786,433	36,958,393
Community development	14,553,807	118,195,497
Parks and recreation	-	1,649,491
Public works	6,133,938	9,981,519
Capital outlay	4,666,388	7,339,197
Debt service:		
Principal retirement	3,528,210	3,585,337
Interest and fiscal charges	5,102,548	6,298,503
Total Expenditures	**38,273,964**	**200,212,945**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(589,027)	(7,854,095)
Other Financing Sources (Uses):		
Transfers in	3,523,679	8,723,679
Transfers out	(6,228,718)	(8,723,679)
Notes and loans issued	-	1,125,000
Total Other Financing Sources (Uses)	**(2,705,039)**	**1,125,000**
Net Change in Fund Balances	$ (3,294,066)	$ (6,729,095)
Fund Balances:		
Beginning of year, as originally reported	$ 13,866,147	$ (24,814,967)
Restatements	-	15,413,197
Beginning of year, as restated	13,866,147	(9,401,770)
Net change in fund balances	(3,294,066)	(6,729,095)
End of Year	**$ 10,572,081**	**$ (16,130,865)**

See Notes to Financial Statements

CITY OF HAWTHORNE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	$ (6,729,095)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,511,213
Additional investments in joint venture are expenditures in the governmental funds. However, in the Statement of Activities, investments in joint venture are shown as the measurable equity interest in the joint venture.	422,021
Net pension asset amortization relates to the pension obligation bonds used to prepaid the PERS unfunded obligation. This prepayment was recorded as an expenditure in the governmental funds statements when made, but the prepayment is amortized over the PERS actuarial amortization period in the government-wide statements.	(299,437)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	852,539
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.	41,563
Compensated absences 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.	912,791
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	(23,568,691)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.	1,636,260
Change in net assets of governmental activities	**$ (24,220,836)**

See Notes to Financial Statements

CITY OF HAWTHORNE

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 31,386,890	$ 31,386,890	$ 31,386,890	$ -
Resources (Inflows):				
Taxes	38,776,000	37,540,093	36,743,462	(796,631)
Licenses and permits	1,334,200	1,371,200	1,477,382	106,182
Intergovernmental	1,230,600	1,433,600	1,116,062	(317,538)
Charges for services	4,907,600	4,621,050	4,669,203	48,153
Use of money and property	1,150,000	1,100,000	784,058	(315,942)
Fines and forfeitures	2,300,000	2,450,000	2,522,421	72,421
Contributions	2,197,250	2,197,250	2,197,250	-
Miscellaneous	578,000	506,752	643,846	137,094
Amounts Available for Appropriation	**83,860,540**	**82,606,835**	**81,540,574**	**(1,066,261)**
Charges to Appropriation (Outflow):				
General government				
Mayor and City Council	2,597,037	2,390,577	2,835,104	(444,527)
City Clerk	134,495	162,695	170,494	(7,799)
City Manager	544,135	524,615	618,870	(94,255)
City Treasurer	11,311	10,816	10,135	681
City Attorney	257,410	250,340	273,227	(22,887)
Finance	1,555,733	1,480,521	1,433,902	46,619
Licensing and Code Enforcement	1,643,876	1,619,981	1,653,446	(33,465)
Public safety				
Police	27,991,389	27,743,897	28,310,949	(567,052)
Fire Services Contract	8,252,000	8,252,000	7,861,011	390,989
Community development				
Planning	396,302	434,100	510,454	(76,354)
Building and Safety	907,030	840,795	854,487	(13,692)
Parks and recreation	1,744,688	1,702,764	1,649,491	53,273
Public works	3,923,469	3,856,333	3,847,581	8,752
Capital outlay	90,000	107,450	106,193	1,257
Debt service:				
Principal retirement	19,025	13,418	19,127	(5,709)
Interest and fiscal charges	-	-	2,695	(2,695)
Transfers out	2,395,000	3,045,000	2,494,961	550,039
Total Charges to Appropriation	**52,462,900**	**52,435,302**	**52,652,127**	**(216,825)**
Budgetary Fund Balance, June 30	**$ 31,397,640**	**$ 30,171,533**	**$ 28,888,447**	**$ (1,283,086)**

See Notes to Financial Statements

CITY OF HAWTHORNE

BUDGETARY COMPARISON STATEMENT
SOUTH BAY WORKFORCE INVESTMENT BOARD
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1, as restated	$ (153,190)	$ (153,190)	$ (153,190)	$ -
Resources (Inflows):				
Intergovernmental	26,309,258	215,743,876	101,745,331	(113,998,545)
Amounts Available for Appropriation	**26,156,068**	**215,590,686**	**101,592,141**	**(113,998,545)**
Charges to Appropriation (Outflow):				
Community development	26,203,258	215,550,560	102,256,810	113,293,750
Capital outlay	106,000	199,000	107,737	91,263
Total Charges to Appropriation	**26,309,258**	**215,749,560**	**102,364,547**	**113,385,013**
Budgetary Fund Balance, June 30	**$ (153,190)**	**$ (158,874)**	**$ (772,406)**	**$ (613,532)**

CITY OF HAWTHORNE

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Airport	Nonmajor Enterprise Funds Sewer and Storm Drain	Total	Governmental Activities Internal Service Funds
Assets:				
Current:				
Cash and investments	$ -	$ -	$ -	$ 2,164,924
Receivables:				
Accounts	13,188	129,937	143,125	-
Notes and loans	-	-	-	310,000
Due from other funds	-	-	-	573,824
Inventories	-	-	-	14,311
Total Current Assets	**13,188**	**129,937**	**143,125**	**3,063,059**
Noncurrent:				
Capital assets - net of accumulated depreciation	8,843,147	2,633,703	11,476,850	1,436,728
Total Noncurrent Assets	**8,843,147**	**2,633,703**	**11,476,850**	**1,436,728**
Total Assets	**$ 8,856,335**	**$ 2,763,640**	**$11,619,975**	**$ 4,499,787**
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	$ 321,463	$ 427,137	$ 748,600	$ 520,329
Accrued liabilities	9,914	12,803	22,717	17,134
Unearned revenues	42,636	-	42,636	-
Deposits payable	14,033	-	14,033	-
Due to other funds	37,309	536,515	573,824	-
Compensated absences	13,628	-	13,628	1,823
Claims and judgments	-	-	-	1,358,485
Total Current Liabilities	**438,983**	**976,455**	**1,415,438**	**1,897,771**
Noncurrent:				
Compensated absences	95,233	-	95,233	5,487
Claims and judgments	-	-	-	3,524,750
Total Noncurrent Liabilities	**95,233**	**-**	**95,233**	**3,530,237**
Total Liabilities	**534,216**	**976,455**	**1,510,671**	**5,428,008**
Net Assets:				
Invested in capital assets	8,843,147	2,633,703	11,476,850	1,436,728
Unrestricted	(521,028)	(846,518)	(1,367,546)	(2,364,949)
Total Net Assets	**8,322,119**	**1,787,185**	**10,109,304**	**(928,221)**
Total Liabilities and Net Assets	**$ 8,856,335**	**$ 2,763,640**	**$11,619,975**	**$ 4,499,787**

Reconciliation of Net Assets to the Statement of Net Assets

Net Assets per Statement of Net Assets - Proprietary Funds	$10,109,304
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds	(279,863)
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds	48,544
Net Assets per Statement of Net Assets	$ 9,877,985

See Notes to Financial Statements

CITY OF HAWTHORNE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2010

	Airport	Nonmajor Enterprise Funds Sewer and Storm Drain	Total	Governmental Activities Internal Service Funds
Operating Revenues:				
Sales and service charges	$ 154,241	$ 1,100,512	$ 1,254,753	$ 4,868,268
Miscellaneous	5,340	-	5,340	917,090
Total Operating Revenues	**159,581**	**1,100,512**	**1,260,093**	**5,785,358**
Operating Expenses:				
Administration and general	462,442	532,037	994,479	650,345
Materials and supplies	23,232	159,444	182,676	601,416
Contractual services	-	-	-	2,299,363
Cost of sales and services	141,310	203,557	344,867	-
Depreciation expense	326,803	79,014	405,817	549,430
Total Operating Expenses	**953,787**	**974,052**	**1,927,839**	**4,100,554**
Operating Income (Loss)	(794,206)	126,460	(667,746)	1,684,804
Nonoperating Revenues (Expenses):				
Intergovernmental	79,153	-	79,153	-
Interest revenue	413,976	-	413,976	-
Total Nonoperating Revenues (Expenses)	**493,129**	**-**	**493,129**	**-**
Changes in Net Assets	(301,077)	126,460	(174,617)	1,684,804
Net Assets:				
Beginning of Fiscal Year	8,623,196	1,660,725	10,283,921	(2,613,025)
End of Fiscal Year	**$ 8,322,119**	**$ 1,787,185**	**$ 10,109,304**	**$ (928,221)**

Reconciliation of Changes in Net Assets to the Statement of Activities:

Changes in Net Assets, per the Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	$ (174,617)
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds	48,544
Changes in Net Assets of Business-Type Activities per Statement of Activities	$ (126,073)

See Notes to Financial Statements

CITY OF HAWTHORNE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Airport	Nonmajor Enterprise Funds Sewer and Storm Drain	Total	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from customers and users	$ 265,024	$ 1,066,098	$ 1,331,122	$ 5,844,588
Cash paid to supplies for goods and services	(186,370)	47,686	(138,684)	(3,787,480)
Cash paid to employees for services	(456,083)	(530,335)	(986,418)	(645,840)
Net Cash Provided (Used) by Operating Activities	**(377,429)**	**583,449**	**206,020**	**1,411,268**
Cash Flows from Non-Capital Financing Activities:				
Payment (made to)/received from other funds	(115,700)	536,515	420,815	(573,824)
Grant subsidy	79,153	-	79,153	-
Net Cash Provided (Used) by Non-Capital Financing Activities	**(36,547)**	**536,515**	**499,968**	**(573,824)**
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(2,387,325)	(2,387,325)	(796,672)
Net Cash Provided (Used) by Capital and Related Financing Activities	**-**	**(2,387,325)**	**(2,387,325)**	**(796,672)**
Cash Flows from Investing Activities:				
Interest received	413,976	-	413,976	-
Net Cash Provided (Used) by Investing Activities	**413,976**	**-**	**413,976**	**-**
Net Increase (Decrease) in Cash and Cash Equivalents	**-**	**(1,267,361)**	**(1,267,361)**	**40,772**
Cash and Cash Equivalents at Beginning of Year	-	1,267,361	1,267,361	2,124,152
Cash and Cash Equivalents at End of Year	**$ -**	**$ -**	**$ -**	**$ 2,164,924**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	$ (794,206)	$ 126,460	$ (667,746)	$ 1,684,804
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	326,803	79,014	405,817	549,430
(Increase) decrease in accounts receivable	58,507	(34,414)	24,093	59,230
Increase (decrease) in accounts payable	(21,828)	410,687	388,859	255,927
Increase (decrease) in accrued liabilities	714	1,702	2,416	1,907
Increase (decrease) in due to other governments	-	-	-	-
Increase (decrease) in deposits payable	4,300	-	4,300	-
Increase (decrease) in unearned revenue	42,636	-	42,636	-
Increase (decrease) in claims and judgments	-	-	-	(1,142,628)
Increase (decrease) in compensated absences	5,645	-	5,645	2,598
Total Adjustments	**416,777**	**456,989**	**873,766**	**(273,536)**
Net Cash Provided (Used) by Operating Activities	**$ (377,429)**	**$ 583,449**	**$ 206,020**	**$ 1,411,268**

Non-Cash Investing, Capital, and Financing Activities:
There were no noncash transactions during the year.

See Notes to Financial Statements

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CITY OF HAWTHORNE

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Agency Funds
Assets:	
Cash and investments	$ 3,614,444
Receivables:	
Taxes	11,614
Restricted assets:	
Cash and investments with fiscal agents	7,182,401
Total Assets	**$ 10,808,459**
Liabilities:	
Accounts payable	$ 34,169
Accrued liabilities	621,000
Deposits payable	607,541
Due to bondholders	9,545,749
Total Liabilities	**$ 10,808,459**

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting 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 accounting principles generally accepted in the United States of America, these financial statements present 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 unit’s 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 governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. The following component units of the City have been included in the financial reporting entity as blended component units.

A description of these component units and the method of incorporating their financial information in the accompanying basic financial statements are summarized as follows:

Housing Authority of the City of Hawthorne (Housing Authority)

The Housing Authority 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.

Community Redevelopment Agency of the City of Hawthorne (Agency)

The Community Redevelopment Agency was established by the City in 1968, under the Community Redevelopment Act of the California Health and Safety Code. The City Council acts as the governing board for the Community Redevelopment Agency.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The City provides all administrative services to the Agency. The financial activity of the Agency is reported in the City's financial statements as the Community Redevelopment Capital Projects Fund and the Community Redevelopment Debt Service Fund. Separate financial statements for the Community Redevelopment Agency of the City of Hawthorne can be obtained by contacting the City of Hawthorne City Clerk.

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 as an agency fund. Separate financial statements were not prepared for the Parking Authority.

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, comprised 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.

b. Government-Wide and Fund Financial Statements

The government-wide financials statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

c. 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 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, with the exception of gas tax revenue, which are considered available if collected within 310 days of year end. 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.

The City's fiduciary fund financial statements only report agency funds. Agency funds are used to account for situations where the government's role is purely custodial. All assets reported in an agency fund are offset by a liability to the party on whose behalf they are held. Agency funds have no measurement focus.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

- The General Fund is the government'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 South Bay Workforce Investment Board Fund is a Job Training Partnership Act fund that accounts for federal, state and local grants received to assist the participants in job training and development.

- The Community Redevelopment Agency Capital Projects Fund accounts for revenues and expenditures associated with the acquisition or construction of capital items for the Hawthorne Redevelopment Agency.

The City reports the following major proprietary fund:

- The Airport Fund accounts for the operation of the City's airport, which is operated in a manner similar to a private airport.

Additionally, the City reports the following fund types:

- 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.

- 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 organization or other government who have made special deposits with the City for various purposes.

d. Other Accounting Policies

Cash and Cash Equivalents

For purpose of the statement of cash flows, the City considered 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, which is the quoted market price at June 30, 2010. 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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve 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 an allowance for uncollectibles.

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 reserve 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. 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 reserved 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 $1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported its general infrastructure assets which include streets, sidewalks, storm drains, curbs and gutters, handicap ramps and trails.

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 are 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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Property, plant and equipment of the primary government, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
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

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 Self-Insurance Internal Service Fund.

Employee Compensated Absences

City employees receive from 10 to 24 days vacation each year, depending upon job classification and length of service. An employee may not accumulate earned vacation time beyond the year following the year in which it is earned. Upon termination, employees with more than one year of service are paid the full value of their unused vacation time.

City employees also receive 12 personal necessity/sick leave days each year. An employee may accumulate earned personal necessity/sick leave time until termination. Upon termination, depending upon job classification and length of service, employees are entitled to receive from 50% to 100% of their unused accumulated personal necessity/sick leave time. Upon retirement, all employees are entitled to receive the full value of their accumulated personal necessity/sick leave time.

Certain City employees may accrue up to a maximum of 100 hours of compensatory time in lieu of overtime pay. Upon termination, these employees are entitled to receive the full value paid on a straight time basis of their unused compensatory time.

Property Tax Revenue

Property tax revenue is recognized on the basis of NCGA Interpretation No. 3 (adopted by GASB); that is, 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 proceeding 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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

e. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance of governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term debts and compensated absences have not been included in the governmental fund activity." The detail of the $129,178,533 long-term debt difference is as follows:

Long-term debt:	
Tax allocation bonds payable	$ (43,495,000)
Notes payable	(23,428,438)
COP bonds payable	(6,735,000)
Pension obligation bonds	(25,330,000)
SBRPCA 2007 bonds	(3,630,000)
Section 108 loan payables	(5,675,000)
Loan payable - West Basin	(83,571)
Lease payable	(17,206,554)
Capital leases	(2,343)
Other post-employment benefits obligation	(3,042,466)
Unamortized bond discount	88,225
Unamortized bond premium	(769,520)
Unamortized loss on bond defeasance	131,134
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	$ (129,178,533)

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances include a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this $2,511,213 difference are as follows:

Capital outlay	$ 7,104,105
Depreciation expense	(4,592,892)
Net adjustment to increase net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities	$ 2,511,213

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Another element of that reconciliation states that the "repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets." Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of this $852,539 difference is as follows:

Long-term Debt issued or incurred:	
Note payable - AutoNation / Costco	$ (1,125,000)
Other post-employment benefits obligation	(1,516,005)
Principal repayments:	
Tax allocation bonds	710,000
Notes payable	38,000
COP bonds payable	360,000
Pension obligation bonds	1,365,000
SBRPCA 2007 bond	105,000
Section 108 loans payable	475,000
Loan payable - West Basin	2,565
Lease payable	513,210
Capital leases payable	16,562
Bond discount amortization	(3,735)
Defeasance loss amortization	(9,366)
Bond premium amortization	29,596
Debt issuance costs amortization	(108,288)
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities.	$ 852,539

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. 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 departmental 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.

Note 2: Stewardship, Compliance and Accountability (Continued)

b. Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts-in-process at year-end are completed. They do not constitute expenditures or estimated liabilities.

c. Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles.

d. Deficit in Fund Equity

The following funds have deficits in fund balance or retained earnings at June 30, 2010:

Fund	Amount
Major Governmental Funds:	
South Bay Workforce Investment Board	$ (772,406)
Community Redevelopment Agency - Capital Projects	(54,818,987)
Nonmajor Governmental Funds:	
Special Revenue Funds	
Street Lighting	(298,946)
Street	(2,910,256)
California Office of Traffic Safety	(11,567)
Proposition A	(510,901)
Community Development Block Grant	(635,529)
Home Grant	(405,670)
ABC Grant Assistance Program	(14,267)
Energy Efficiency & Conservation Project	(188,328)
HPRP Funds	(205,272)
Debt Service Fund	
2005 PERS Obligation Bonds	(390,931)
Internal Service Funds:	
Insurance Reserve	(5,025,034)

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

Note 2: Stewardship, Compliance and Accountability (Continued)

e. Excess of expenditures over appropriations

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

Fund	Expenditures	Appropriations	Excess
Major Governmental Funds:			
General Fund:			
Mayor and City Council	$ 2,835,104	$ 2,390,577	$ 444,527
City Clerk	170,494	162,695	7,799
City Manager	618,870	524,615	94,255
City Attorney	273,227	250,340	22,887
Licensing and Code Enforcement	1,653,446	1,619,981	33,465
Police	28,310,949	27,743,897	567,052
Planning	510,454	434,100	76,354
Building and Safety	854,487	840,795	13,692
Community Redevelopment Agency			
Capital Projects:			
Community Development	19,939	1,212	18,727
Nonmajor Governmental Funds:			
Special Revenue:			
Street Lighting:			
Public Works	654,779	621,528	33,251
Gas Tax:			
Public Works	332,348	327,482	4,866
Proposition A:			
Public Works	1,616,212	1,563,536	52,676
Home Grant:			
Community Development	1,118,945	991,746	127,199
ABC Grant Assistance Program:			
Public Safety	50,503	41,929	8,574
Capital Projects:			
Development Impact			
Community Development	32,794	10,261	22,533
Debt Service:			
SBRPCA 2007 Series B Bond	4,772	4,441	331

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2010, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	$	21,392,596
Fiduciary funds		10,796,845
Total Cash and Investments	$	32,189,441

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.

Deposits

At June 30, 2010, the carrying amount of the City's deposits was $(253,974) and the bank balance was $348,879. The $602,853 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations 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. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. 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 bank or savings and loan association 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.

Investments

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- Bankers Acceptances
- U.S. Treasury Issues
- Certificate of Deposit
- Negotiable Certificate of Deposit
- Commercial Paper
- Local Agency Investment Fund (State Pool) Demand Deposits
- Repurchase Agreements

Note 3: Cash and Investments (Continued)

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 position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

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. As of June 30, 2010, the City's investment in commercial paper consisted of investments with General Electric Corporation rated "AA+" by S&P. All securities were investment grade and were legal under State and City law. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of June 30, 2010, the City's investments in external investment pools and money market mutual funds are unrated.

Custodial Credit Risk

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. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2010, none of the City's deposits or investments were exposed to custodial credit risk.

Note 3: 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. In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2010, the City's fiscal agent has invested $4,017,000 (12%) in Certificates of Deposit. 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, 2010, the City had the following investments and original maturities:

	Remaining Investment Maturities				
	6 Months or Less	1 to 3 Years	3 to 5 Years	More Than 5 Years	Fair Value
Local Agency Investment Fund	$ 21,627,418	$ -	$ -	$ -	$ 21,627,418
Federal Home Loan Bank	-	-	1,001,560	-	1,001,560
Cash with Fiscal Agents:					
Money market	4,400,848	-	-	-	4,400,848
Investment agreements	-	-	-	1,396,589	1,396,589
Certificates of Deposit	-	4,017,000	-	-	4,017,000
	$ 26,028,266	$ 4,017,000	$ 1,001,560	$ 1,396,589	$ 32,443,415

The investment agreements and commercial papers are monies held by the fiscal agent and are not subject to the risks noted above. However, the funds' investment policies and practices with regard to the credit and market risks have been determined acceptable to the City's investment policies.

Note 4: Changes in Capital Assets

Capital assets activity for the year ended June 30, 2010, follows:

	Beginning Balance	Adjustments*	Adjusted Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:						
Capital assets, not being depreciated:						
Land	$ 7,748,529	$ -	$ 7,748,529	$ -	$ -	$ 7,748,529
Total Capital Assets, Not Being Depreciated	7,748,529	-	7,748,529	-	-	7,748,529
Capital assets, being depreciated:						
Structures and improvements	52,993,674	-	52,993,674	2,802,566	-	55,796,240
Machinery and equipment:						
City	16,893,575	-	16,893,575	159,643	-	17,053,218
Equipment Replacement	5,702,759	-	5,702,759	796,672	357,431	6,142,000
Parking Authority - structures	16,359,554	-	16,359,554	-	-	16,359,554
Infrastructure	100,042,822	-	100,042,822	4,141,896	-	104,184,718
Total Capital Assets, Being Depreciated	191,992,384	-	191,992,384	7,900,777	357,431	199,535,730
Less accumulated depreciation:						
Structures and improvements	14,602,369	-	14,602,369	1,635,384	-	16,237,753
Machinery and equipment:						
City	16,753,324	(261,325)	16,491,999	289,723	-	16,781,722
Equipment Replacement	4,513,273	-	4,513,273	549,430	357,431	4,705,272
Parking authority - structures	12,903,051	-	12,903,051	408,989	-	13,312,040
Infrastructure	35,503,567	-	35,503,567	2,258,796	-	37,762,363
Total Accumulated Depreciation	84,275,584	(261,325)	84,014,259	5,142,322	357,431	88,799,150
Total Capital Assets, Being Depreciated, Net	107,716,800	261,325	107,978,125	2,758,455	-	110,736,580
Governmental Activities Capital Assets, Net	$ 115,465,329	$ 261,325	$ 115,726,654	$ 2,758,455	$ -	$ 118,485,109

*Adjustments were made to correct prior year depreciation expenses.

Note 4: Changes in Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 37,314	$ -	$ -	$ 37,314
Total Capital Assets, Not Being Depreciated	37,314	-	-	37,314
Capital assets, being depreciated:				
Structures and improvements	1,727,903	-	-	1,727,903
Machinery and equipment	22,750	-	-	22,750
Infrastructure	-	-	-	-
Airport	10,723,022	-	-	10,723,022
Sewer and Storm Drain	10,538,445	2,387,325	-	12,925,770
Total Capital Assets, Being Depreciated	23,012,120	2,387,325	-	25,399,445
Less accumulated depreciation:				
Structures and improvements	1,296,386	58,131	-	1,354,517
Machinery and equipment	20,961	596	-	21,557
Infrastructure				
Airport	2,023,692	268,076	-	2,291,768
Sewer and Storm Drain	10,213,053	79,014	-	10,292,067
Total Accumulated Depreciation	13,554,092	405,817	-	13,959,909
Total Capital Assets, Being Depreciated, Net	9,458,028	1,981,508	-	11,439,536
Business-Type Activities Capital Assets, Net	$ 9,495,342	$ 1,981,508	$ -	$ 11,476,850

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

Governmental Activities:	
General government	$ 868,995
Public safety	1,237,664
Public work	2,280,979
Community development	78,551
Parks and recreation	126,703
Internal service fund - equipment replacement	549,430
Total Governmental Activities	$ 5,142,322
Business-Type Activities:	
Airport	$ 326,803
Sewer and storm drain	79,014
Total Business-Type Activities	$ 405,817

Note 5: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due To/From Other Funds

	Due to Other Funds				
Due From Other Funds	South Bay Workforce Invest. Board	Non-major Governmental Funds	Airport Fund	Non-Major Enterpise Fund	Total
General Fund	$ 748,192	$ 6,368,396	$ -	$ -	$ 7,116,588
Internal Service Funds:					
Equipment Replacement	-	-	37,309	536,515	573,824
Total	$ 748,192	$ 6,368,396	$ 37,309	$ 536,515	$ 7,690,412

The due from other funds in the General Fund of $7,690,412 and due to other funds from the Equipment Replacement Fund of $573,824 was to cover temporary deficit cash balances.

Advances to/from Other Funds

Advances from Other Funds	Advances to Other Funds General Fund
Capital Projects - Community Redevelopment Agency	$ 59,485,426

During the current and previous fiscal years, the City of Hawthorne has made loans to the Community Redevelopment Agency to cover for operations. These loans bear interest at LAIF rates. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated within the next fiscal year. As of June 30, 2010, loans with accrued unpaid interest amounted to $59,485,426.

Interfund Transfers

	Transfers Out		
Transfers In	General Fund	Non-major Governmental Funds	Total
Capital Projects - Community Redevelopment Agency	$ -	$ 5,200,000	$ 5,200,000
Non-major Governmental Funds	2,494,961	1,028,718	3,523,679
Total	$ 2,494,961	$ 6,228,718	$ 8,723,679

The transfer in of $5,200,000 to the Capital Projects - Community Redevelopment Agency from the Debt Service – Community Redevelopment Agency was to cover administrative costs and fund capital projects.

Note 5: Interfund Receivable, Payable and Transfers (Continued)

The transfer from the general fund to non-major funds of $2,494,961 was for debt service contribution on the 1997 COP bonds in the amount of $659,620, for debt service contribution on the loan to build the police facility in the amount of $1,285,000, and for debt service contribution on the 2006 SBRPCA bonds in the amount of $550,341.

Note 6: Long-Term Debt

The following is a summary of the changes in long-term debt of the City for the year ended June 30, 2010:

	Beginning Balance July 1, 2009	Additions	Deletions	Ending Balance June 30, 2010	Due Within One Year
Governmental Funds:					
City:					
Compensated absences	$ 7,787,638	$ 856,071	$ 1,768,862	$ 6,874,847	$ 1,768,862
Other post employment benefits obligation	1,526,461	1,516,005	-	3,042,466	-
Capital leases payable	18,905	-	16,562	2,343	2,343
Certificates of participation	7,095,000	-	360,000	6,735,000	380,000
Lease payable - police facility	17,719,764	-	513,210	17,206,554	534,098
Loan payable - West Basin	86,136	-	2,565	83,571	5,324
Section 108 loan payable	6,150,000	-	475,000	5,675,000	475,000
SBRPCA 2007 Series B Bond	3,735,000	-	105,000	3,630,000	110,000
2005 Pension Obligation Bonds	26,695,000	-	1,365,000	25,330,000	1,535,000
Total City	70,813,904	2,372,076	4,606,199	68,579,781	4,810,627
Internal Service Funds:					
Claims and judgments	6,025,863	215,857	1,358,485	4,883,235	1,358,485
Compensated absences	4,712	66,998	64,400	7,310	1,823
Total Internal Service Funds	6,030,575	282,855	1,422,885	4,890,545	1,360,308
Redevelopment Agency:					
Tax allocation refunding bonds	44,205,000	-	710,000	43,495,000	750,000
Notes payable	22,341,438	1,125,000	38,000	23,428,438	-
Total Redevelopment	66,546,438	1,125,000	748,000	66,923,438	750,000
Total Governmental Long-Term Obligations	$ 143,390,917	$ 3,779,931	$ 6,777,084	140,393,764	$ 6,920,935
	Less:				
	Net unamortized bond discount			(88,224)	
	Net unamortized bond premium			769,520	
	Net unamortized bond defeasance loss			(131,134)	
	Total governmental funds long-term debt			$ 140,943,926	
Business-Type Funds:					
Compensated absences	$ 103,216	$ 19,273	$ 13,628	$ 108,861	$ 13,628

Note 6: Long-Term Debt (Continued)

Compensated Absences

As discussed in Note 1 of the financial statements for governmental fund types, the City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) that exceeds expendable, available financial resources is reported in long-term debt. The accrual is calculated in accordance with GASB Code Section C60.109. For governmental activities, the liability will be paid in future year by the General Fund, and for business type activities, the liability will be paid by the Airport Fund.

Other Post Employment Benefits Obligation

The City's policies relating to other post employment benefits are described in Note 9 of the Notes to Financial Statements. The liability will be paid in future years by the general fund.

Capital Leases

The City has entered into various capital lease agreements to acquire equipments. These assets have been capitalized with the obligation shown in the statement of net assets. The following is a schedule by years of future minimum lease payments under the capital lease agreements as of June 30, 2010:

Year Ending June 30	Total
2011	$ 2,343
Total Payments	2,343
Less Amount Representing Interest	-
Outstanding Principal	$ 2,343

Certificates of Participation

On December 1, 1997, The Public Financing Authority issued Certificates of Participation (COP) in the amount of $9,950,000 with interest rate varying from 3.9% to 5.2% payable on January 1 and July 1 of each year. The certificates mature on July 1, 2022. The lease payment to be made by the City to the Authority pursuant to the Lease will be in amount sufficient to pay principal and interest with respect to the Certificates when due. The certificates contain certain restrictive covenants. The City's management believes it has complied with all applicable covenants during the year ended June 30, 2010. The annual principal requirements to amortize the outstanding Public Financing Authority COP as of June 30, 2010, are as follows:

	Certificates of Participation	
	Principal	Interest
2010-2011	$ 380,000	$ 336,738
2011-2012	395,000	317,651
2012-2013	415,000	297,500
2013-2014	440,000	275,795
2014-2015	460,000	252,620
2015-2020	2,680,000	871,637
2020-2023	1,965,000	156,910
Totals	$ 6,735,000	$ 2,508,851

Note 6: Long-Term Debt (Continued)

Lease Payable - Police Facility

The City completed building its new police facility during fiscal year 2004-2005. The construction expenditures were partially funded by the California Infrastructure and Economic Development Bank (CIEDB). The facility has been assigned to CIEDB and leased back by the City of Hawthorne. As of June 30, 2005, the total construction expenditures of $20,000,000 have been recorded as a liability under the lease obligation. Principal payments ranging from $420,405 to $1,186,129 are due annually on August 1 through the year 2031. The following schedule illustrates the annual principal requirements to maturity for the lease obligation as of June 30:

	Police Facility Lease	
	Principal	Interest
2010-2011	$ 534,098	$ 689,438
2011-2012	555,836	667,258
2012-2013	578,458	644,175
2013-2014	602,002	620,152
2014-2015	626,503	595,152
2015-2020	3,536,395	2,563,663
2020-2025	4,317,064	1,767,107
2025-2030	5,270,069	794,709
2030-2031	1,186,129	24,138
Totals	$ 17,206,554	$ 8,365,792

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 in which the Metropolitan Water District contributed $9,500 on behalf of the City. The loan is subject to an interest rate of 5% per annum and is to be repaid within 13 years. Principal payments are due semi-annually on June 1 and December 1. The outstanding loan balance at June 30, 2010 was $83,571. The total debt service requirements as of June 30, 2010, are as follows:

	Note Payable - West Basin	
	Principal	Interest
2010-2011	$ 5,324	$ 4,156
2011-2012	5,597	3,883
2012-2013	5,883	3,597
2013-2014	6,183	3,297
2014-2015	6,500	2,980
2015-2020	37,845	9,555
2020-2025	16,239	925
Totals	$ 83,571	$ 28,393

Note 6: Long-Term Debt (Continued)

Section 108 Loan

Section 108 Loan of $7,800,000 was advanced to the City for commercial rehabilitation on CDBG projects. The notes are guaranteed by the Secretary of Housing and Urban Development. Principal payments ranging from $50,000 to $485,000 are due semi-annually on February 1 and August 1. The notes mature from 2012 to 2024 and bear varying interest rates. The total debt service requirements as of June 30, 2010, are as follows:

	Section 108 Loan	
	Principal	Interest
2010-2011	$ 475,000	$ 296,936
2011-2012	475,000	274,666
2012-2013	485,000	251,240
2013-2014	355,000	230,187
2014-2015	355,000	211,958
2015-2020	1,775,000	769,931
2020-2025	1,755,000	258,889
Totals	$ 5,675,000	$ 2,293,807

SBRPCA Refunding Revenue Bonds 2007 Series B Bonds

On January 2007, the SBRPCA Refunding Revenue Bonds 2007 Series B were issued in the amount of $3,925,000 to currently refund $3,615,000 in SBRPCA 2001 Series B Bonds and provide additional funds to pay for certain capital project improvements. The bonds consisting of serial bonds maturing in the years 2008 to 2021 are payable January 1 in annual installments of $85,000 to $165,000. The bonds bear interest at 3.70% to 4.375%. Bonds maturing after January 1, 2021, in the amount of $2,135,000 are term bonds and bear interest at 4.60 to 4.75%. The total debt service requirements are as follows:

	SBRPCA Refunding Revenue Bonds, 2007 Series B	
	Principal	Interest
2010-2011	$ 110,000	$ 162,145
2011-2012	115,000	157,883
2012-2013	120,000	153,283
2013-2014	125,000	148,483
2014-2015	130,000	143,483
2015-2020	730,000	632,130
2020-2025	910,000	457,706
2025-2030	1,130,000	227,693
2030-2035	260,000	12,350
Totals	$ 3,630,000	$ 2,095,156

Note 6: Long-Term Debt (Continued)

2005 Pension Obligation Bonds

In September 2005, the City issued $30,480,000 pension obligation bonds to fund the City's pension actuarial accrued liability. The bonds bear interest at 5.018% and the principal matures in amounts ranging from $610,000 to $3,715,000 on July 2020. The annual debt service requirements to amortize the 2005 Pension Obligation Bonds outstanding as of June 30, 2010, are as follows:

	2005 Pension Obligation Bonds	
	Principal	Interest
2010-2011	$ 1,535,000	$ 1,271,059
2011-2012	1,720,000	1,194,033
2012-2013	1,920,000	1,107,724
2013-2014	2,125,000	1,011,378
2014-2015	2,350,000	904,745
2015-2020	15,680,000	2,501,724
Totals	$ 25,330,000	$ 7,990,663

Tax Allocation Bonds

1998 Tax Allocation Refunding Bonds

The 1998 Tax Allocation Refunding Bonds bear interest ranging from 4.20% to 5.24% per annum and payable on March 1 and September 1. Principal payments ranging from $270,000 to $675,000 are due annually on September 1, beginning in the year 2005 through the year 2024. The balance at June 30, 2010, amounted to $7,305,000. The total debt service requirements as of June 30, 2010, are as follows:

	1998 Tax Allocation Refunding Bonds	
	Principal	Interest
2010-2011	$ 340,000	$ 356,750
2011-2012	355,000	339,375
2012-2013	365,000	321,375
2013-2014	390,000	302,500
2014-2015	410,000	282,500
2015-2020	2,380,000	1,075,250
2020-2025	3,065,000	398,375
Totals	$ 7,305,000	$ 3,076,125

2001 Tax Allocation Refunding Bonds

The 2001 Tax Allocation Refunding Bonds bear interest ranging from 5.500% to 6.875% per annum and payable on January 1 and July 1. Principal payments ranging from $145,000 to $410,000 are due annually on July 1, beginning in the year 2003 through the year 2020. The balance at June 30, 2010, amounted to $3,325,000.

Note 6: Long-Term Debt (Continued)

The total debt service payment requirements as of June 30, 2010, are as follows:

	2001 Tax Allocation Refunding Bonds	
	Principal	Interest
2010-2011	$ 215,000	$ 215,938
2011-2012	230,000	202,031
2012-2013	245,000	187,188
2013-2014	260,000	171,406
2014-2015	275,000	153,828
2015-2020	1,690,000	446,875
2020-2025	410,000	14,094
Totals	$ 3,325,000	$ 1,391,360

2004 Tax Allocation Refunding Bonds

In December 2004, the Community Redevelopment Agency of the City of Hawthorne issued $4,225,000 Project Area II Tax Allocation Refunding Bonds, Series 2004 for the purpose of refunding, on a current basis, the Agency's outstanding Project Area II Tax Allocation Refunding Bonds, Series 1994. The bonds consist of $2,725,000 serial bonds with annual maturity dates from September 1, 2007 through September 1, 2013, bearing interest ranging from 3.0% to 3.5%, and $1,500,000 term bonds bearing interest at 4.5% and maturing September 1, 2024. Interest is payable semiannually beginning March 1, 2005. Principal payments ranging from $75,000 to $330,000 are due annually on September 1, beginning in the year 2007 through the year 2024. The balance at June 30, 2010, amounted to $3,780,000. The total debt service requirements as of June 30, 2010, are as follows:

	2004 Tax Allocation Refunding Bonds	
	Principal	Interest
2010-2011	$ 195,000	$ 150,444
2011-2012	200,000	144,019
2012-2013	210,000	136,739
2013-2014	215,000	129,196
2014-2015	225,000	121,271
2015-2020	1,235,000	467,511
2020-2025	1,500,000	174,825
Totals	$ 3,780,000	$ 1,324,005

2006 Tax Allocation Bonds

In July 2006, the Agency issued Project Area No. 2 Tax Allocations Bonds, Series 2006 in the amount of $29,085,000. The proceeds of the Bonds were used to (a) provide funds to prepay the Public Funding Requirement of the Agency under the Owner Participation Agreement (OPA) dated September 26, 2003, and as amended by the Second Implementation Agreement as of July 11, 2006, with SAMS Venture, LLC, (b) provide for capitalized interest on the Bonds for a limited period of time, (c) obtain a Reserve Account Surety Bond, and (d) pay the costs of issuing the Bonds. The Bonds are payable from and secured by tax increment revenues arising from Project Area No 2 on a parity basis with the 1998 Bonds and the 2004 Bonds.

Note 6: Long-Term Debt (Continued)

The bonds consist of $3,950,000 serial bonds with annual maturity dates from September 1, 2011 through September 1, 2016, bearing interest ranging from 4.0% to 4.125%; $9,485,000 term bonds bearing interest of 5.0% and maturing September 1, 2026; and $15,650,000 term bonds bearing interest of 5.25% and maturing September 1, 2036. The balance at June 30, 2010, amounted to $29,085,000. The total debt service payment requirements as of June 30, 2010, are as follows:

	2006 Tax Allocation Bonds	
	Principal	Interest
2010-2011	$ -	$ 1,454,781
2011-2012	595,000	1,442,881
2012-2013	620,000	1,418,581
2013-2014	645,000	1,393,281
2014-2015	670,000	1,366,981
2015-2020	3,795,000	6,363,759
2020-2025	4,825,000	5,305,750
2025-2030	6,170,000	3,924,631
2030-2035	7,965,000	2,085,431
2035-2040	3,800,000	202,125
Totals	$ 29,085,000	$ 24,958,201

Tax Allocation Bonds Debt Service Requirements

As previously discussed, the Agency has pledged, as security for bonds it has issued, either directly or through the Financing Authority, a portion of the tax increment revenue that it receives. These bonds were to provide financing for various capital projects and to defease previously issued bonds. The City has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $74,244,691 with annual debt service requirements as indicated above. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was $8,566,623 and the debt service obligation on the bonds was $2,923,188.

Notes 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 Costco note for approximately $7,000,000. In return, the Agency executed a promissory note to the developers for $12,500,000. The repayment of this note consisted of Mello-Roos tax refund, sales tax and transient occupancy tax refund to the extent these taxes are generated within the project site. The balance at June 30, 2010, amounted to $23,428,438 including accrued interest of $10,928,438.

Note 6: Long-Term Debt (Continued)

Claims and Judgments

As of June 30, 2010, 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, 2010, total estimated claims payable were $4,883,235.

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 Community Redevelopment Agency (Agency) of the City of Hawthorne. Bonds have been issued to finance the cost of various real property acquisitions, various construction activities, street improvements, traffic signalization and public safety projects and other infrastructure improvements 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.

On October 22, 1991, the 1990-1 Special Tax Bonds totaling $8,955,000 were issued and on November 12, 1991, the 1991-1 Special Tax Bonds totaling $11,865,000 were issued. The 1990-1 Special Tax Bonds were refunded on March 18, 1999, by the issuance of the 1998 Special Tax Refunding Bonds for $8,990,000. On August 16, 2000, the Agency issued two series of 1999-1 Special Tax Bonds, $3,525,000 Series A and $12,475,000 Series B. The total of these bonds were used to refund the 1991-1 Special Tax Bonds. As of June 30, 2010, the bonds outstanding from these Community Facility Districts totaled $18,225,000.

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, 2010, the bonds outstanding from this Community Facility District totaled $3,750,000.

On November 21, 2006, the City of Hawthorne issued the 2006 Special Tax Bonds totaling $14,755,000 for its Community Facilities District No. 2006-1 (Three Sixty Degrees @ South Bay) to finance the acquisition of an easement and certain public facilities in the vicinity of the District. The bonds are payable solely from Special Tax Revenues levied upon the District. As of June 30, 2010, the bonds outstanding from this Community Facility District totaled $14,485,000.

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.

Note 6: Long-Term Debt (Continued)

Special Tax Refunding Bonds

On August 16, 1995, the Parking Authority issued $10,105,000 Special Tax Refunding Bonds to advance refund the Authority's $2,025,000 outstanding Lease Revenue Bonds, Series A, and its $8,080,000 outstanding Refunding Lease Revenue Bonds, Series 1977.

The net proceeds of $9,801,850 plus an additional $1,400,000 contributed from property owners and $37,646 of Series A and Series 1977 Lease Revenue Bond sinking fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series A and Series 1977 Lease Revenue Bonds. As a result, the Series A and Series 1977 Lease Revenue Bonds are considered to be defeased and the liabilities for those bonds have been removed from long-term debt. As of June 30, 2010, the Special Tax Refunding Bonds outstanding totaled $6,465,000.

The Special Tax Refunding Bonds are limited obligations of the Authority, payable from monies to be received by the Authority from the payment of special taxes to be levied and collected on taxable property within the 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.

Note 7: Restatement of Fund Balances and Net Assets

Beginning fund balance of the South Bay Workforce Investment Board fund has been restated by $15,413,197 to correct prior year receivables and deferred revenue overstated. In addition, governmental activity beginning net assets was restated by $261,325 to correct prior year depreciation expense. As a result, governmental activity beginning net assets have been restated by $15,674,522.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Note 8: Retirement Plans

Plan Description

The City of Hawthorne contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 12.915% for miscellaneous employees and 19.790% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Note 8: Retirement Plans (Continued)

Annual Pension Cost

The City annual pension cost and change in net pension asset for fiscal year ending June 30, 2010, were as follows:

Annual required contribution	$ 5,900,230
Interest on net pension asset	(1,947,401)
Adjustment to annual required contribution	2,246,838
Annual pension cost	6,199,667
Contributions made	5,900,230
Decrease in net pension asset	(299,437)
Net pension asset beginning of year	25,127,759
Net pension asset end of year	$ 24,828,322

The summary of principal assumptions and methods used to determine the annual required contribution is shown below:

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	21 Years as of the Valuation
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative
Projected Salary Increases	3.55% to 14.45% depending on age, service,
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Three-Year Trend Information for PERS
(Amounts in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	$ 6,221	95.9%	$ (25,405,659)
6/30/2009	6,450	95.7%	(25,127,759)
6/30/2010	6,200	95.2%	(24,828,322)

Note 8: Retirement Plans (Continued)

Schedule of Funding Progress for PERS (Most Recent Available)
Miscellaneous Plan of the City of Hawthorne
(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2007	$ 113,718	$ 119,827	$ 6,109	94.9 %	$ 16,437	37.2 %
6/30/2008	121,191	128,635	7,444	94.2	17,117	43.5
6/30/2009	125,135	138,492	13,356	90.4	16,111	82.9

For fiscal year 2009-2010, the City of Hawthorne safety plan participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003, valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Note 9: Other Post-Employment Employee Benefits

Plan Description

The City provides certain post employment 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 post-employment 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.

Note 9: Other Post-Employment Employee Benefits (Continued)

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 coverage for the plan in which the employee is enrolled. This benefit commences upon the employee's retirement date and ceases when the employee becomes ineligible for coverage under the PERS health benefits plan. The City began contracting with the County of Los Angeles beginning in February 1997. Therefore, this benefit pertained only to those employees retiring before February 1997.

Police

All employees who have retired, have at least 20 years of service in the Hawthorne Police Department, and have reached the age of 50, shall be entitled to enroll in a PERS health plan. The City agrees to pay for health insurance for the retired employee and his or her dependent spouse. A qualified retiree shall be covered by this provision as long as he/she is eligible for PERS health insurance coverage. The dependent spouse of a qualified retiree shall be covered until he/she reaches the age of 65. Any employee who retires with less than the minimum requirements as noted above shall be offered the opportunity to continue their participation in the group health insurance (PERS) in effect at that time.

Funding Policy

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

The required contribution is based on a pay-as-you-go financing requirement with additional amounts to prefund benefits as determined by the City under an actuarial valuation. For fiscal year 2009-2010, the annual required contribution (ARC) was $3,194,728, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The City pays for post-employment health insurance on a pay-as-you-go basis. For fiscal year 2009-2010, the City contributed $1,641,096 for other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Note 9: Other Post-Employment Employee Benefits (Continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	$ 3,194,728
Interest on net pension obligation	30,529
Adjustment to ARC	(68,156)
Annual OPEB cost	3,157,101
Contribution made	1,641,096
Increase (decrease) in net OPEB obligation	1,516,005
Net OPEB obligation - July 1, 2009	1,526,461
Net OPEB obligation - June 30, 2010	$ 3,042,466

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2009-2010 fiscal year and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2008	n/a	n/a	n/a	n/a
6/30/2009	$ 3,194,728	$ 1,668,267	52.2%	$ 1,526,461
6/30/2010	3,157,101	1,641,096	52.0%	3,042,466

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Only one year is presented as this is the first year of the plan.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
3/1/2009	$ -	$ 44,113,659	$ (44,113,659)	0.00%	$ 21,379,856	206.33%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 9: Other Post-Employment Employee Benefits (Continued)

The actuarial valuation, dated March 1, 2009, used the Entry Age Normal actuarial cost method, a discount rate of 5.00% which is the long-term expected rate of return on the City's investment fund, an annual general inflation rate of 3.00%, and an annual aggregate payroll increase of 3.00%. The unfunded accrued actuarial liability (UAAL) is being amortized over a fixed 30-year period as a level percentage of projected payroll beginning with the 2009-2010 fiscal year. As of the actuarial valuation date, the City had 297 active participants and 237 recipients.

Note 10: Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City established the Insurance Reserve Fund to account for and finance its uninsured risks of loss, and the Redevelopment Agency 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 participate in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior year and current year claims. The claims liability of $4,883,235 reported in the fund at June 30, 2010, 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 fund's claims liability amounts in the fiscal years 2009 and 2010, were as follows:

Fiscal Year	Beginning Balance	Changes in Estimates	Claims Payments	Ending Balance
2008-2009	$ 4,910,454	$ 2,192,962	$ (1,077,553)	$ 6,025,863
2009-2010	6,025,863	215,857	(1,358,485)	4,883,235

Note 11: Commitments and Contingencies

The City of Hawthorne has been named as a defendant in numerous lawsuits and claims arising in the course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the City, such loss has been accrued in the accompanying combined financial statements.

Developer Agreements

The City has entered into several Owner Participation Agreements to attract new business to the City of Hawthorne. The following represents the City's significant commitments with developers:

Note 11: Commitments and Contingencies (Continued)

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.

On July 23, 2001, the Redevelopment Agency of the City of Hawthorne approved the Sixth Implementation Agreement to the Owner Participation Agreement with Oceangate Properties, Inc. With the approval of this agreement and the subsequent Developer Disposition Agreement, the area of land that formerly occupied the Mattel buildings is now developed into a car dealership(s) along with ancillary service facilities.

Proposition 218

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased or extended taxes, assessments and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments and fees were imposed may be significantly impaired. The taxes, fees and assessments that are subject to the provisions of Proposition 218 that the City currently imposes for its own benefit or receives from other governmental agencies potentially include utility user taxes and business license fees. At this time, it is uncertain how Proposition 218 will affect the City's ability to maintain or increase the revenue it receives from taxes, assessments and fees.

In November 1997, the City attempted to maintain a 9% utility user's tax through Proposition R. The proposition did not pass. The City imposed a 5% tax after the failure of Proposition R.

Note 12: Joint Ventures

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 2009-2010, the City was assessed $2,829,084, 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.

Note 12: Joint Ventures (Continued)

As of and for the year ended June 30, 2010, SBRPCA's audited financial information is as follows:

South Bay Regional Public Communication Authority	
Net Assets:	
Total assets	$ 12,168,745
Total liabilities	978,024
Total net assets	$ 11,190,721

South Bay Regional Public Communication Authority	
Changes in Net Assets:	
Operating revenues	$ 7,945,941
Operating expenses	8,460,149
Operating income (Loss)	(514,208)
Nonoperating revenues (expenses)	(594)
Capital contributions - SHSG	541,611
Change in net assets	26,809
Beginning net assets	11,163,912
Ending net assets	$ 11,190,721

Complete financial statements for the SBRPCA may be obtained from the City's Finance Department.

Should the Authority liquidate, all members would receive their equity in the Authority based upon their cumulative contributions.

South Bay Workforce Investment Board

The South Bay Workforce Investment Board (SBWIB), a consortium formed by the Cities of Carson, Hawthorne, Inglewood, Gardena, El Segundo, Lawndale, Manhattan Beach, Redondo Beach and Hermosa Beach, became under the administrative control of the City of Hawthorne as of February 28, 2000. Prior to this date, the administrative control was under the City of Inglewood. The Board of the SBWIB is appointed by each member city; the SBWIB is not fiscally dependent on the primary government, and as such, the SBWIB is not considered a component unit of the City of Hawthorne. Federal, state and local grants fund the SBWIB and its purpose is to assist participants in job training and development. The financial information for SBWIB is recorded in the Special Revenue Funds as the South Bay Workforce Investment Board. Separate financial statements are not prepared.

Note 13: Transactions with the State of California

a. Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu

Note 13: Transactions with the State of California (Continued)

motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Hawthorne was $1,159,889.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

b. Delay of State Gas Tax Payments

In March 2010, the State Legislature passed legislation delaying a variety of State payments to local agencies in response to anticipated State cash flow problems in fiscal year 2010-2011. AB5 8x contains provisions to delay a portion (approximately 60%) of the payments of State Gas Tax monies for the first nine months of 2010-2011 (July 2010 through March 2011) to be paid no later than April 28, 2011.

c. SERAF Shift for fiscal year 2009-2010 and 2010-2011

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State's Prop 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010 the Sacramento Superior Court upheld the legislation. This decision is in the process of being appealed by CRA and its member agencies.

The payment of the SERAF was due on May 10, 2010 for fiscal year 2009-2010 and it was made in the amount of $3,170,236. The legislation allowed this payment to be made from any available monies present in any project area(s). Subsequent legislation was passed which even allowed the funding for this payment to be borrowed from the Low and Moderate Income Housing Fund with appropriate findings from its legislative body. Any amount borrowed from Low and Moderate Income Housing (including any suspended set-aside amounts) is to be repaid by June 30, 2015. If those amounts are not repaid, by that date, then the set-aside percentage to Low and Moderate Income Housing will increase from 20% to 25% for the remainder of the life of the Agency.

Note 13: Transactions with the State of California (Continued)

To accomplish the payment, the Agency borrowed $3,170,236 from the Low and Moderate Income Housing Fund (after adopting appropriate findings of necessity). In the accompanying financial statements, the amount paid to the County has been reported as a use of current year resources. Borrowing set-aside amounts relating to the Low and Moderate Income Housing Fund have been reflected as inter-fund advances between the accounting funds of the Agency.

It is estimated that the Agency's share of the SERAF shift for fiscal year 2010-2011 will amount to approximately $652,069 and this amount will be payable in May 2011 if the appeal is not successful.

Note 14: Subsequent Events

2010 Special Tax Refunding Bonds

On September 1, 2010, the Community Redevelopment Agency of the City issued the 2010 Special Tax Refunding Bonds in the amount of $13,180,000 for its Community Facilities District No. 1999-1 to refund the 1999-1 Special Tax Bonds Series A and Series B.

ERAF Shift of Redevelopment Agency Funds

For many years, the State shifted money from redevelopment agencies to the Educational Revenue Augmentation Fund (ERAF). The money taken from redevelopment agencies was counted toward the State requirement to fund schools under Proposition 98. In May 2009, the courts held that the ERAF shift was not constitutional. In June 2009, the State developed the Supplemental Educational Revenue Augmentation Fund that attempted to fix the constitutional flaws with ERAF. In November 2010, the voters approved Proposition 22 that prohibits the State from redirecting monies from redevelopment agencies. Proposition 22 did not explicitly state that redevelopment agencies could not be dissolved by the State. On January 10, 2011, the Governor of California proposed the elimination of California Redevelopment Agencies by June 30, 2011. The details of the proposed plan have not been disclosed. The financial statements include the City of Hawthorne's Community Redevelopment Agency as a blended component unit.

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CITY OF HAWTHORNE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds			
	Street Lighting	**Gas Tax**	**Street**	**Asset Forfeiture**
Assets:				
Cash and investments	$ -	$ 2,146,527	$ -	$ 145,143
Receivables:				
Accounts	-	-	-	-
Taxes	21,283	-	7,996	-
Notes and loans	-	-	-	-
Accrued interest	-	2,720	-	307
Prepaid costs	-	-	-	-
Due from other governments	-	358,585	5,579	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	**$ 21,283**	**$ 2,507,832**	**$ 13,575**	**$ 145,450**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 3,468	$ 83,897	$ 85,536	$ 14,029
Accrued liabilities	1,706	-	22,260	5,734
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	315,055	-	2,816,035	-
Total Liabilities	**320,229**	**83,897**	**2,923,831**	**19,763**
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	96	21,645
Reserved for prepaid costs	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	(298,946)	2,423,935	(2,910,352)	104,042
Total Fund Balances	**(298,946)**	**2,423,935**	**(2,910,256)**	**125,687**
Total Liabilities and Fund Balances	**$ 21,283**	**$ 2,507,832**	**$ 13,575**	**$ 145,450**

CITY OF HAWTHORNE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010 (Continued)

	Special Revenue Funds			
	COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	MTA Measure R
Assets:				
Cash and investments	$ -	$ -	$ 280,943	$ 572,196
Receivables:				
Accounts	-	-	-	-
Taxes	27,106	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	-	426	734
Prepaid costs	-	-	-	-
Due from other governments	-	59,294	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	**$ 27,106**	**$ 59,294**	**$ 281,369**	**$ 572,930**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ -	$ 27	$ -	$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	11,923	277,832	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	9,040	58,911	-	-
Total Liabilities	**9,040**	**70,861**	**277,832**	**-**
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	18,066	(11,567)	3,537	572,930
Total Fund Balances	**18,066**	**(11,567)**	**3,537**	**572,930**
Total Liabilities and Fund Balances	**$ 27,106**	**$ 59,294**	**$ 281,369**	**$ 572,930**

CITY OF HAWTHORNE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds			
	Proposition A	**Proposition C**	**Federal Stimulus**	**Air Quality**
Assets:				
Cash and investments	$ -	$ -	$ -	$ 149,662
Receivables:				
Accounts	-	-	1,027,939	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	152	-	252
Prepaid costs	-	-	-	-
Due from other governments	81,887	67,925	-	52,532
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	**$ 81,887**	**$ 68,077**	**$ 1,027,939**	**$ 202,446**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 3,066	$ 5,379	$ 8,584	$ 100
Accrued liabilities	-	2,879	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	158,933	-	-	-
Due to other funds	430,789	1,392	731,063	-
Total Liabilities	**592,788**	**9,650**	**739,647**	**100**
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	-
Reserved for capital projects	120,000	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	(630,901)	58,427	288,292	202,346
Total Fund Balances	**(510,901)**	**58,427**	**288,292**	**202,346**
Total Liabilities and Fund Balances	**$ 81,887**	**$ 68,077**	**$ 1,027,939**	**$ 202,446**

CITY OF HAWTHORNE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010 (Continued)

	Special Revenue Funds			
	Community Development Block Grant	American Down Payment Dream Program	HOME Grant	Housing Authority
Assets:				
Cash and investments	$ -	$ -	$ 213	$ 79,729
Receivables:				
Accounts	-	-	-	5,397
Taxes	-	-	-	-
Notes and loans	4,363,830	15,600	2,300,357	-
Accrued interest	-	-	-	280
Prepaid costs	-	-	-	844,205
Due from other governments	605,485	-	104,701	660
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	**$ 4,969,315**	**$ 15,600**	**$ 2,405,271**	**$ 930,271**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 13,959	$ -	$ 18,800	$ 4,751
Accrued liabilities	6,116	-	1,025	25,659
Deferred revenues	4,737,665	15,600	2,405,058	-
Unearned revenues	-	-	-	-
Deposits payable	17,897	-	-	-
Due to other governments	-	-	-	-
Due to other funds	829,207	-	386,058	-
Total Liabilities	**5,604,844**	**15,600**	**2,810,941**	**30,410**
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	844,205
Reserved for capital projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	(635,529)	-	(405,670)	55,656
Total Fund Balances	**(635,529)**	**-**	**(405,670)**	**899,861**
Total Liabilities and Fund Balances	**$ 4,969,315**	**$ 15,600**	**$ 2,405,271**	**$ 930,271**

CITY OF HAWTHORNE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds			
	California Used Oil Recycling	**2009 Street Improvements**	**ABC Grant Assistance Program**	**Energy Efficiency & Conservation Project**
Assets:				
Cash and investments	$ 4,284	$ 2,508,745	$ -	$ -
Receivables:				
Accounts	-	-	22,321	188,328
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	3,530	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	**$ 4,284**	**$ 2,512,275**	**$ 22,321**	**$ 188,328**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ 175,416
Accrued liabilities	152	-	4,374	-
Deferred revenues	-	-	2,985	188,328
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	29,229	12,912
Total Liabilities	**152**	**-**	**36,588**	**376,656**
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	4,132	2,512,275	(14,267)	(188,328)
Total Fund Balances	**4,132**	**2,512,275**	**(14,267)**	**(188,328)**
Total Liabilities and Fund Balances	**$ 4,284**	**$ 2,512,275**	**$ 22,321**	**$ 188,328**

CITY OF HAWTHORNE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010 (Continued)

	Special Revenue Funds	Capital Projects Fund	Debt Service Funds	
	HPRP Funds	Development Impact	Public Financing Authority	CIEDB Police Facility Lease Obligation
Assets:				
Cash and investments	$ -	$ 2,896,625	$ -	$ 29,410
Receivables:				
Accounts	205,272	-	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	4,394	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	1,280,149	-
Total Assets	**$ 205,272**	**$ 2,901,019**	**$ 1,280,149**	**$ 29,410**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 22,885	$ 7,030	$ -	$ -
Accrued liabilities	-	-	-	-
Deferred revenues	205,272	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	182,387	-	175,387	-
Total Liabilities	**410,544**	**7,030**	**175,387**	**-**
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid costs	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	2,893,989	-	-
Designated for debt service	-	-	1,104,762	29,410
Undesignated	(205,272)	-	-	-
Total Fund Balances	**(205,272)**	**2,893,989**	**1,104,762**	**29,410**
Total Liabilities and Fund Balances	**$ 205,272**	**$ 2,901,019**	**$ 1,280,149**	**$ 29,410**

CITY OF HAWTHORNE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Debt Service Funds			
	2005 PERS Obligation Bonds	**SBRPCA 2007 Series B Bond**	**Community Redevelopment Agency**	**Total Nonmajor Governmental Funds**
Assets:				
Cash and investments	$ -	$ 291,139	$ 2,147,214	$ 11,251,830
Receivables:				
Accounts	-	-	-	1,449,257
Taxes	-	-	1,215,859	1,272,244
Notes and loans	-	-	-	6,679,787
Accrued interest	-	-	-	12,795
Prepaid costs	-	-	-	844,205
Due from other governments	-	-	-	1,336,648
Restricted assets:				
Cash and investments with fiscal agents	-	356,093	995,794	2,632,036
Total Assets	**$ -**	**$ 647,232**	**$ 4,358,867**	**$ 25,478,802**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ 446,927
Accrued liabilities	-	-	-	69,905
Deferred revenues	-	-	-	7,554,908
Unearned revenues	-	-	-	289,755
Deposits payable	-	-	-	17,897
Due to other governments	-	-	-	158,933
Due to other funds	390,931	-	-	6,368,396
Total Liabilities	**390,931**	**-**	**-**	**14,906,721**
Fund Balances:				
Reserved:				
Reserved for encumbrances	-	-	-	21,741
Reserved for prepaid costs	-	-	-	844,205
Reserved for capital projects	-	-	-	120,000
Unreserved:				
Designated for capital projects	-	-	-	2,893,989
Designated for debt service	-	647,232	4,358,867	6,140,271
Undesignated	(390,931)	-	-	551,875
Total Fund Balances	**(390,931)**	**647,232**	**4,358,867**	**10,572,081**
Total Liabilities and Fund Balances	**$ -**	**$ 647,232**	**$ 4,358,867**	**$ 25,478,802**

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CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
	Street Lighting	Gas Tax	Street	Asset Forfeiture
Revenues:				
Taxes	$ 539,942	$ -	$ -	$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	2,258,348	238,809	-
Charges for services	-	-	211,710	-
Use of money and property	-	13,344	-	6,318
Fines and forfeitures	-	-	-	338,751
Contributions	-	40,200	-	-
Miscellaneous	-	-	61,536	-
Total Revenues	**539,942**	**2,311,892**	**512,055**	**345,069**
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	545,722
Community development	-	-	-	-
Public works	654,779	332,348	2,003,864	-
Capital outlay	-	505,237	-	1,023,055
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	**654,779**	**837,585**	**2,003,864**	**1,568,777**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(114,837)	1,474,307	(1,491,809)	(1,223,708)
Other Financing Sources (Uses):				
Transfers in	-	-	1,000,000	-
Transfers out	-	(1,000,000)	(28,718)	-
Total Other Financing Sources (Uses)	**-**	**(1,000,000)**	**971,282**	**-**
Net Change in Fund Balances	(114,837)	474,307	(520,527)	(1,223,708)
Fund Balances, Beginning of Year	(184,109)	1,949,628	(2,389,729)	1,349,395
Fund Balances, End of Year	**$ (298,946)**	**$ 2,423,935**	**$ (2,910,256)**	**$ 125,687**

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010 **(Continued)**

	Special Revenue Funds			
	COPS	California Office of Traffic Safety	Local Law Enforcement Block Grant	MTA Measure R
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-
Intergovernmental	119,558	88,102	2,282	571,599
Charges for services	-	-	-	-
Use of money and property	-	-	485	1,331
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	**119,558**	**88,102**	**2,767**	**572,930**
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	100,180	87,746	2,282	-
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	**100,180**	**87,746**	**2,282**	**-**
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,378	356	485	572,930
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	**-**	**-**	**-**	**-**
Net Change in Fund Balances	19,378	356	485	572,930
Fund Balances, Beginning of Year	(1,312)	(11,923)	3,052	-
Fund Balances, End of Year	**$ 18,066**	**$ (11,567)**	**$ 3,537**	**$ 572,930**

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
	Proposition A	Proposition C	Federal Stimulus	Air Quality
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,141,538	946,956	2,635,001	101,881
Charges for services	20,804	-	-	-
Use of money and property	611	2,341	-	1,310
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	**1,162,953**	**949,297**	**2,635,001**	**103,191**
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	103,584
Public works	1,616,212	1,182,202	-	-
Capital outlay	-	-	2,346,709	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	**1,616,212**	**1,182,202**	**2,346,709**	**103,584**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(453,259)	(232,905)	288,292	(393)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	**-**	**-**	**-**	**-**
Net Change in Fund Balances	(453,259)	(232,905)	288,292	(393)
Fund Balances, Beginning of Year	(57,642)	291,332	-	202,739
Fund Balances, End of Year	**$ (510,901)**	**$ 58,427**	**$ 288,292**	**$ 202,346**

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010 **(Continued)**

	Special Revenue Funds			
	Community Development Block Grant	American Down Payment Dream Program	HOME Grant	Housing Authority
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,646,283	-	887,045	10,468,746
Charges for services	30,950	-	35,100	-
Use of money and property	-	-	-	1,188
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	433,857
Total Revenues	**1,677,233**	**-**	**922,145**	**10,903,791**
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	1,489,614	-	1,118,945	11,277,585
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	475,000	-	-	-
Interest and fiscal charges	318,103	-	-	-
Total Expenditures	**2,282,717**	**-**	**1,118,945**	**11,277,585**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(605,484)	-	(196,800)	(373,794)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	**-**	**-**	**-**	**-**
Net Change in Fund Balances	(605,484)	-	(196,800)	(373,794)
Fund Balances, Beginning of Year	(30,045)	-	(208,870)	1,273,655
Fund Balances, End of Year	**$ (635,529)**	**$ -**	**$ (405,670)**	**$ 899,861**

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			
	California Used Oil Recycling	2009 Street Improvements	ABC Grant Assistance Program	Energy Efficiency & Conservation Project
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-
Intergovernmental	21,802	1,333,580	54,220	150,000
Charges for services	-	-	-	-
Use of money and property	-	11,588	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	280,000	-	-
Miscellaneous	-	-	-	-
Total Revenues	**21,802**	**1,625,168**	**54,220**	**150,000**
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	50,503	-
Community development	-	-	-	-
Public works	5,725	480	-	338,328
Capital outlay	-	791,387	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	**5,725**	**791,867**	**50,503**	**338,328**
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,077	833,301	3,717	(188,328)
Other Financing Sources (Uses):				
Transfers in	28,718	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	**28,718**	**-**	**-**	**-**
Net Change in Fund Balances	44,795	833,301	3,717	(188,328)
Fund Balances, Beginning of Year	(40,663)	1,678,974	(17,984)	-
Fund Balances, End of Year	**$ 4,132**	**$ 2,512,275**	**$ (14,267)**	**$ (188,328)**

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010 **(Continued)**

	Special Revenue Funds	Capital Projects Fund	Debt Service Funds	
	HPRP Funds	Development Impact	Public Financing Authority	CIEDB Police Facility Lease Obligation
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Licenses and permits	-	8,863	-	-
Intergovernmental	326,013	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	21,829	84	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	**326,013**	**30,692**	**84**	**-**
Expenditures:				
Current:				
General government	-	-	4,283	53,795
Public safety	-	-	-	-
Community development	531,285	32,794	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	360,000	513,210
Interest and fiscal charges	-	-	354,868	710,751
Total Expenditures	**531,285**	**32,794**	**719,151**	**1,277,756**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(205,272)	(2,102)	(719,067)	(1,277,756)
Other Financing Sources (Uses):				
Transfers in	-	-	659,620	1,285,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	**-**	**-**	**659,620**	**1,285,000**
Net Change in Fund Balances	(205,272)	(2,102)	(59,447)	7,244
Fund Balances, Beginning of Year	-	2,896,091	1,164,209	22,166
Fund Balances, End of Year	**$ (205,272)**	**$ 2,893,989**	**$ 1,104,762**	**$ 29,410**

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Debt Service Funds			
	2005 PERS Obligation Bonds	SBRPCA 2007 Series B Bond	Community Redevelopment Agency	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ -	$ -	$ 10,105,208	$ 10,645,150
Licenses and permits	-	-	-	8,863
Intergovernmental	-	-	-	22,991,763
Charges for services	-	-	-	298,564
Use of money and property	-	-	34,058	94,487
Fines and forfeitures	-	-	-	338,751
Contributions	-	-	-	320,200
Miscellaneous	2,491,766	-	-	2,987,159
Total Revenues	**2,491,766**	**-**	**10,139,266**	**37,684,937**
Expenditures:				
Current:				
General government	36	4,772	3,439,754	3,502,640
Public safety	-	-	-	786,433
Community development	-	-	-	14,553,807
Public works	-	-	-	6,133,938
Capital outlay	-	-	-	4,666,388
Debt service:				
Principal retirement	1,365,000	105,000	710,000	3,528,210
Interest and fiscal charges	1,339,555	166,083	2,213,188	5,102,548
Total Expenditures	**2,704,591**	**275,855**	**6,362,942**	**38,273,964**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(212,825)	(275,855)	3,776,324	(589,027)
Other Financing Sources (Uses):				
Transfers in	-	550,341	-	3,523,679
Transfers out	-	-	(5,200,000)	(6,228,718)
Total Other Financing Sources (Uses)	**-**	**550,341**	**(5,200,000)**	**(2,705,039)**
Net Change in Fund Balances	(212,825)	274,486	(1,423,676)	(3,294,066)
Fund Balances, Beginning of Year	(178,106)	372,746	5,782,543	13,866,147
Fund Balances, End of Year	**$ (390,931)**	**$ 647,232**	**$ 4,358,867**	**$ 10,572,081**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (184,109)	$ (184,109)	$ (184,109)	$ -
Resources (Inflows):				
Taxes	552,000	552,000	539,942	(12,058)
Use of money and property	1,000	1,000	-	(1,000)
Amounts Available for Appropriation	**368,891**	**368,891**	**355,833**	**(13,058)**
Charges to Appropriation (Outflow):				
Public works	621,528	621,528	654,779	(33,251)
Total Charges to Appropriation	**621,528**	**621,528**	**654,779**	**(33,251)**
Budgetary Fund Balance, June 30	**$ (252,637)**	**$ (252,637)**	**$ (298,946)**	**$ (46,309)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 1,949,628	$ 1,949,628	$ 1,949,628	$ -
Resources (Inflows):				
Intergovernmental	2,441,000	2,441,000	2,258,348	(182,652)
Use of money and property	10,000	10,000	13,344	3,344
Contributions	-	-	40,200	40,200
Miscellaneous	5,000	5,000	-	(5,000)
Amounts Available for Appropriation	**4,405,628**	**4,405,628**	**4,261,520**	**(144,108)**
Charges to Appropriation (Outflow):				
Public works	327,482	327,482	332,348	(4,866)
Capital outlay	1,100,000	1,074,500	505,237	569,263
Transfers out	1,000,000	1,000,000	1,000,000	-
Total Charges to Appropriation	**2,427,482**	**2,401,982**	**1,837,585**	**564,397**
Budgetary Fund Balance, June 30	**$ 1,978,146**	**$ 2,003,646**	**$ 2,423,935**	**$ 420,289**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
STREET
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (2,389,729)	$ (2,389,729)	$ (2,389,729)	$ -
Resources (Inflows):				
Intergovernmental	250,000	250,000	238,809	(11,191)
Charges for services	217,000	217,000	211,710	(5,290)
Miscellaneous	820,000	820,000	61,536	(758,464)
Transfers in	1,000,000	1,000,000	1,000,000	-
Amounts Available for Appropriation	**(102,729)**	**(102,729)**	**(877,674)**	**(774,945)**
Charges to Appropriation (Outflow):				
Public works	2,187,657	2,192,424	2,003,864	188,560
Transfers out	-	-	28,718	(28,718)
Total Charges to Appropriation	**2,187,657**	**2,192,424**	**2,032,582**	**159,842**
Budgetary Fund Balance, June 30	**$ (2,290,386)**	**$ (2,295,153)**	**$ (2,910,256)**	**$ (615,103)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
ASSET FORFEITURE
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 1,349,395	$ 1,349,395	$ 1,349,395	$ -
Resources (Inflows):				
Use of money and property	35,000	35,000	6,318	(28,682)
Fines and forfeitures	700,000	700,000	338,751	(361,249)
Amounts Available for Appropriation	**2,084,395**	**2,084,395**	**1,694,464**	**(389,931)**
Charges to Appropriation (Outflow):				
Public safety	661,157	661,157	545,722	115,435
Capital outlay	950,000	954,819	1,023,055	(68,236)
Total Charges to Appropriation	**1,611,157**	**1,615,976**	**1,568,777**	**47,199**
Budgetary Fund Balance, June 30	**$ 473,238**	**$ 468,419**	**$ 125,687**	**$ (342,732)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
COPS
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (1,312)	$ (1,312)	$ (1,312)	$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	119,558	19,558
Use of money and property	2,000	2,000	-	(2,000)
Amounts Available for Appropriation	**100,688**	**100,688**	**118,246**	**17,558**
Charges to Appropriation (Outflow):				
Public safety	100,181	100,181	100,180	1
Total Charges to Appropriation	**100,181**	**100,181**	**100,180**	**1**
Budgetary Fund Balance, June 30	**$ 507**	**$ 507**	**$ 18,066**	**$ 17,559**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
CALIFORNIA OFFICE OF TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (11,923)	$ (11,923)	$ (11,923)	$ -
Resources (Inflows):				
Intergovernmental	137,463	219,775	88,102	(131,673)
Amounts Available for Appropriation	**125,540**	**207,852**	**76,179**	**(131,673)**
Charges to Appropriation (Outflow):				
Public safety	137,463	219,775	87,746	132,029
Total Charges to Appropriation	**137,463**	**219,775**	**87,746**	**132,029**
Budgetary Fund Balance, June 30	**$ (11,923)**	**$ (11,923)**	**$ (11,567)**	**$ 356**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
LOCAL LAW ENFORCEMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 3,052	$ 3,052	$ 3,052	$ -
Resources (Inflows):				
Intergovernmental	-	280,117	2,282	(277,835)
Use of money and property	-	-	485	485
Amounts Available for Appropriation	**3,052**	**283,169**	**5,819**	**(277,350)**
Charges to Appropriation (Outflow):				
Public safety	-	280,117	2,282	277,835
Total Charges to Appropriation	**-**	**280,117**	**2,282**	**277,835**
Budgetary Fund Balance, June 30	**$ 3,052**	**$ 3,052**	**$ 3,537**	**$ 485**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
MTA MEASURE R
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -
Resources (Inflows):				
Intergovernmental	-	463,577	571,599	108,022
Use of money and property	-	-	1,331	1,331
Amounts Available for Appropriation	**-**	**463,577**	**572,930**	**109,353**
Charges to Appropriation (Outflow):				
Public works	-	463,577	-	463,577
Total Charges to Appropriations	**-**	**463,577**	**-**	**463,577**
Budgetary Fund Balance, June 30	**$ -**	**$ -**	**$ 572,930**	**$ 572,930**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
PROPOSITION A
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (57,642)	$ (57,642)	$ (57,642)	$ -
Resources (Inflows):				
Intergovernmental	1,440,000	1,440,000	1,141,538	(298,462)
Charges for services	30,000	30,000	20,804	(9,196)
Use of money and property	10,000	10,000	611	(9,389)
Amounts Available for Appropriation	**1,422,358**	**1,422,358**	**1,105,311**	**(317,047)**
Charges to Appropriation (Outflow):				
Public works	1,563,536	1,563,536	1,616,212	(52,676)
Total Charges to Appropriation	**1,563,536**	**1,563,536**	**1,616,212**	**(52,676)**
Budgetary Fund Balance, June 30	**$ (141,178)**	**$ (141,178)**	**$ (510,901)**	**$ (369,723)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
PROPOSITION C
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 291,332	$ 291,332	$ 291,332	$ -
Resources (Inflows):				
Intergovernmental	1,260,000	1,260,000	946,956	(313,044)
Use of money and property	20,000	20,000	2,341	(17,659)
Amounts Available for Appropriation	**1,571,332**	**1,571,332**	**1,240,629**	**(330,703)**
Charges to Appropriation (Outflow):				
Public works	1,295,002	1,295,002	1,182,202	112,800
Total Charges to Appropriation	**1,295,002**	**1,295,002**	**1,182,202**	**112,800**
Budgetary Fund Balance, June 30	**$ 276,330**	**$ 276,330**	**$ 58,427**	**$ (217,903)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
FEDERAL STIMULUS
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -
Resources (Inflows):				
Intergovernmental	2,635,000	2,635,000	2,635,001	1
Amounts Available for Appropriation	**2,635,000**	**2,635,000**	**2,635,001**	**1**
Charges to Appropriation (Outflow):				
Capital outlay	2,635,000	2,635,000	2,346,709	288,291
Total Charges to Appropriations	**2,635,000**	**2,635,000**	**2,346,709**	**288,291**
Budgetary Fund Balance, June 30	**$ -**	**$ -**	**$ 288,292**	**$ 288,292**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
AIR QUALITY
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 202,739	$ 202,739	$ 202,739	$ -
Resources (Inflows):				
Intergovernmental	110,000	110,000	101,881	(8,119)
Use of money and property	5,000	5,000	1,310	(3,690)
Amounts Available for Appropriation	**317,739**	**317,739**	**305,930**	**(11,809)**
Charges to Appropriation (Outflow):				
Community development	106,739	106,739	103,584	3,155
Total Charges to Appropriation	**106,739**	**106,739**	**103,584**	**3,155**
Budgetary Fund Balance, June 30	**$ 211,000**	**$ 211,000**	**$ 202,346**	**$ (8,654)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (30,045)	$ (30,045)	$ (30,045)	$ -
Resources (Inflows):				
Intergovernmental	2,182,539	2,182,539	1,646,283	(536,256)
Charges for services	263,000	263,000	30,950	(232,050)
Amounts Available for Appropriation	**2,415,494**	**2,415,494**	**1,647,188**	**(768,306)**
Charges to Appropriation (Outflow):				
Community development	2,442,539	1,649,436	1,489,614	159,822
Capital outlay	3,000	3,000	-	3,000
Debt service:				
Principal retirement	-	475,000	475,000	-
Interest and fiscal charges	-	318,103	318,103	-
Total Charges to Appropriation	**2,445,539**	**2,445,539**	**2,282,717**	**162,822**
Budgetary Fund Balance, June 30	**$ (30,045)**	**$ (30,045)**	**$ (635,529)**	**$ (605,484)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
HOME GRANT
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (208,870)	$ (208,870)	$ (208,870)	$ -
Resources (Inflows):				
Intergovernmental	991,746	991,746	887,045	(104,701)
Charges for services	-	-	35,100	35,100
Amounts Available for Appropriation	**782,876**	**782,876**	**713,275**	**(69,601)**
Charges to Appropriation (Outflow):				
Community development	991,746	991,746	1,118,945	(127,199)
Total Charges to Appropriation	**991,746**	**991,746**	**1,118,945**	**(127,199)**
Budgetary Fund Balance, June 30	**$ (208,870)**	**$ (208,870)**	**$ (405,670)**	**$ (196,800)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 1,273,655	$ 1,273,655	$ 1,273,655	$ -
Resources (Inflows):				
Intergovernmental	11,453,800	11,453,800	10,468,746	(985,054)
Use of money and property	10,000	10,000	1,188	(8,812)
Miscellaneous	556,000	556,000	433,857	(122,143)
Amounts Available for Appropriation	**13,293,455**	**13,293,455**	**12,177,446**	**(1,116,009)**
Charges to Appropriation (Outflow):				
Community development	12,054,108	11,949,702	11,277,585	672,117
Total Charges to Appropriation	**12,054,108**	**11,949,702**	**11,277,585**	**672,117**
Budgetary Fund Balance, June 30	**$ 1,239,347**	**$ 1,343,753**	**$ 899,861**	**$ (443,892)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
CALIFORNIA USED OIL RECYCLING
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (40,663)	$ (40,663)	$ (40,663)	$ -
Resources (Inflows):				
Intergovernmental	20,000	20,000	21,802	1,802
Transfers in	-	-	28,718	28,718
Amounts Available for Appropriation	**(20,663)**	**(20,663)**	**9,857**	**30,520**
Charges to Appropriation (Outflow):				
Public works	15,240	15,240	5,725	9,515
Total Charges to Appropriation	**15,240**	**15,240**	**5,725**	**9,515**
Budgetary Fund Balance, June 30	**$ (35,903)**	**$ (35,903)**	**$ 4,132**	**$ 40,035**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
2009 STREET IMPROVEMENTS
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 1,678,974	$ 1,678,974	$ 1,678,974	$ -
Resources (Inflows):				
Intergovernmental	5,769,483	5,769,483	1,333,580	(4,435,903)
Use of money and property	-	-	11,588	11,588
Contributions	200,000	200,000	280,000	80,000
Amounts Available for Appropriation	**7,648,457**	**7,648,457**	**3,304,142**	**(4,344,315)**
Charges to Appropriation (Outflow):				
Public works	6,502,283	6,502,283	480	6,501,803
Capital outlay	900,000	913,279	791,387	121,892
Total Charges to Appropriation	**7,402,283**	**7,415,562**	**791,867**	**6,623,695**
Budgetary Fund Balance, June 30	**$ 246,174**	**$ 232,895**	**$ 2,512,275**	**$ 2,279,380**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
ABC GRANT ASSISTANCE PROGRAM
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (17,984)	$ (17,984)	$ (17,984)	$ -
Resources (Inflows):				
Intergovernmental	43,129	43,129	54,220	11,091
Amounts Available for Appropriation	**25,145**	**25,145**	**36,236**	**11,091**
Charges to Appropriation (Outflow):				
Public safety	41,929	41,929	50,503	(8,574)
Capital outlay	1,200	1,200	-	1,200
Total Charges to Appropriation	**43,129**	**43,129**	**50,503**	**(7,374)**
Budgetary Fund Balance, June 30	**$ (17,984)**	**$ (17,984)**	**$ (14,267)**	**$ 3,717**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
ENERGY EFFICIENCY & CONSERVATION PROJECT
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -
Resources (Inflows):				
Intergovernmental	-	769,900	150,000	(619,900)
Miscellaneous	-	200,000	-	(200,000)
Transfers in	-	650,000	-	(650,000)
Amounts Available for Appropriation	**-**	**1,619,900**	**150,000**	**(1,469,900)**
Charges to Appropriation (Outflow):				
Public works	-	1,619,900	338,328	1,281,572
Total Charges to Appropriations	**-**	**1,619,900**	**338,328**	**1,281,572**
Budgetary Fund Balance, June 30	**$ -**	**$ -**	**$ (188,328)**	**$ (188,328)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
HPRP FUNDS
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -
Resources (Inflows):				
Intergovernmental	703,000	703,000	326,013	(376,987)
Amounts Available for Appropriation	**703,000**	**703,000**	**326,013**	**(376,987)**
Charges to Appropriation (Outflow):				
Community development	703,000	703,261	531,285	171,976
Total Charges to Appropriations	**703,000**	**703,261**	**531,285**	**171,976**
Budgetary Fund Balance, June 30	**$ -**	**$ (261)**	**$ (205,272)**	**$ (205,011)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 2,896,091	$ 2,896,091	$ 2,896,091	$ -
Resources (Inflows):				
Licenses and permits	200,000	200,000	8,863	(191,137)
Use of money and property	100,000	100,000	21,829	(78,171)
Amounts Available for Appropriation	**3,196,091**	**3,196,091**	**2,926,783**	**(269,308)**
Charges to Appropriation (Outflow):				
Community development	10,261	10,261	32,794	(22,533)
Capital outlay	500,000	500,000	-	500,000
Total Charges to Appropriation	**510,261**	**510,261**	**32,794**	**477,467**
Budgetary Fund Balance, June 30	**$ 2,685,830**	**$ 2,685,830**	**$ 2,893,989**	**$ 208,159**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY - CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (54,501,617)	$ (54,501,617)	$ (54,501,617)	$ -
Resources (Inflows):				
Taxes	2,410,000	2,410,000	2,346,500	(63,500)
Use of money and property	503,000	503,000	427,355	(75,645)
Miscellaneous	1,000	1,000	1,043	43
Transfers in	5,200,000	5,200,000	5,200,000	-
Notes and loans issued	-	-	1,125,000	1,125,000
Amounts Available for Appropriation	**(46,387,617)**	**(46,387,617)**	**(45,401,719)**	**985,898**
Charges to Appropriation (Outflow):				
General government	3,496,339	6,713,028	5,707,190	1,005,838
Community development	47,665	1,212	19,939	(18,727)
Capital outlay	3,000,000	3,000,000	2,458,879	541,121
Debt service:				
Principal retirement	-	-	38,000	(38,000)
Interest and fiscal charges	1,000,000	1,000,000	1,193,260	(193,260)
Total Charges to Appropriation	**7,544,004**	**10,714,240**	**9,417,268**	**1,296,972**
Budgetary Fund Balance, June 30	**$ (53,931,621)**	**$ (57,101,857)**	**$ (54,818,987)**	**$ 2,282,870**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
PUBLIC FINANCING AUTHORITY
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 1,164,209	$ 1,164,209	$ 1,164,209	$ -
Resources (Inflows):				
Use of money and property	2,000	2,000	84	(1,916)
Transfers in	830,000	830,000	659,620	(170,380)
Amounts Available for Appropriation	**1,996,209**	**1,996,209**	**1,823,913**	**(172,296)**
Charges to Appropriation (Outflow):				
General government	4,502	4,502	4,283	219
Debt service:				
Principal retirement	360,000	360,000	360,000	-
Interest and fiscal charges	354,868	354,868	354,868	-
Total Charges to Appropriation	**719,370**	**719,370**	**719,151**	**219**
Budgetary Fund Balance, June 30	**$ 1,276,839**	**$ 1,276,839**	**$ 1,104,762**	**$ (172,077)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
CIEDB POLICE FACILITY LEASE OBLIGATION
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 22,166	$ 22,166	$ 22,166	$ -
Resources (Inflows):				
Transfers in	1,285,000	1,285,000	1,285,000	-
Amounts Available for Appropriation	**1,307,166**	**1,307,166**	**1,307,166**	**-**
Charges to Appropriation (Outflow):				
General government	53,797	53,797	53,795	2
Debt service:				
Principal retirement	513,210	513,210	513,210	-
Interest and fiscal charges	710,751	710,751	710,751	-
Total Charges to Appropriation	**1,277,758**	**1,277,758**	**1,277,756**	**2**
Budgetary Fund Balance, June 30	**$ 29,408**	**$ 29,408**	**$ 29,410**	**$ 2**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
2005 PERS OBLIGATION BONDS
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (178,106)	$ (178,106)	$ (178,106)	$ -
Resources (Inflows):				
Miscellaneous	2,645,000	2,645,000	2,491,766	(153,234)
Amounts Available for Appropriation	**2,466,894**	**2,466,894**	**2,313,660**	**(153,234)**
Charges to Appropriation (Outflow):				
General government	36	36	36	-
Debt service:				
Principal retirement	1,365,000	1,365,000	1,365,000	-
Interest and fiscal charges	1,339,555	1,339,555	1,339,555	-
Total Charges to Appropriation	**2,704,591**	**2,704,591**	**2,704,591**	**-**
Budgetary Fund Balance, June 30	**$ (237,697)**	**$ (237,697)**	**$ (390,931)**	**$ (153,234)**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
SBRPCA 2007 SERIES B BOND
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 372,746	$ 372,746	$ 372,746	$ -
Resources (Inflows):				
Use of money and property	2,000	2,000	-	(2,000)
Transfers in	280,000	280,000	550,341	270,341
Amounts Available for Appropriation	**654,746**	**654,746**	**923,087**	**268,341**
Charges to Appropriation (Outflow):				
General government	4,441	4,441	4,772	(331)
Debt service:				
Principal retirement	105,000	105,000	105,000	-
Interest and fiscal charges	166,083	166,083	166,083	-
Total Charges to Appropriation	**275,524**	**275,524**	**275,855**	**(331)**
Budgetary Fund Balance, June 30	**$ 379,222**	**$ 379,222**	**$ 647,232**	**$ 268,010**

CITY OF HAWTHORNE

BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY - DEBT SERVICE
YEAR ENDED JUNE 30, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 5,782,543	$ 5,782,543	$ 5,782,543	$ -
Resources (Inflows):				
Taxes	10,385,000	10,385,000	10,105,208	(279,792)
Use of money and property	30,200	30,200	34,058	3,858
Transfers in	2,150,000	2,150,000	-	(2,150,000)
Amounts Available for Appropriation	**18,347,743**	**18,347,743**	**15,921,809**	**(2,425,934)**
Charges to Appropriation (Outflow):				
General government	3,489,340	3,489,340	3,439,754	49,586
Debt service:				
Principal retirement	710,000	710,000	710,000	-
Interest and fiscal charges	2,213,188	2,213,188	2,213,188	-
Transfers out	7,350,000	7,350,000	5,200,000	2,150,000
Total Charges to Appropriation	**13,762,528**	**13,762,528**	**11,562,942**	**2,199,586**
Budgetary Fund Balance, June 30	**$ 4,585,215**	**$ 4,585,215**	**$ 4,358,867**	**$ (226,348)**

CITY OF HAWTHORNE

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

	Equipment Replacement	Insurance Reserve	Total Internal Service Funds
Assets:			
Current:			
Cash and investments	$ 1,971,007	$ 193,917	$ 2,164,924
Receivables:			
Notes and loans	310,000	-	310,000
Due from other funds	573,824	-	573,824
Inventories	14,311	-	14,311
Total Current Assets	**2,869,142**	**193,917**	**3,063,059**
Noncurrent:			
Capital assets - net of accumulated depreciation	1,436,728	-	1,436,728
Total Noncurrent Assets	**1,436,728**	**-**	**1,436,728**
Total Assets	**$ 4,305,870**	**$ 193,917**	**$ 4,499,787**
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	$ 194,140	$ 326,189	$ 520,329
Accrued liabilities	7,607	9,527	17,134
Compensated absences	1,823	-	1,823
Claims and judgments	-	1,358,485	1,358,485
Total Current Liabilities	**203,570**	**1,694,201**	**1,897,771**
Noncurrent:			
Compensated absences	5,487	-	5,487
Claims and judgments	-	3,524,750	3,524,750
Total Noncurrent Liabilities	**5,487**	**3,524,750**	**3,530,237**
Total Liabilities	**209,057**	**5,218,951**	**5,428,008**
Net Assets:			
Invested in capital assets	1,436,728	-	1,436,728
Unrestricted	2,660,085	(5,025,034)	(2,364,949)
Total Net Assets	**4,096,813**	**(5,025,034)**	**(928,221)**
Total Liabilities and Net Assets	**$ 4,305,870**	**$ 193,917**	**$ 4,499,787**

CITY OF HAWTHORNE

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	Equipment Replacement	Insurance Reserve	Total Internal Service Funds
Operating Revenues:			
Sales and service charges	$ 2,024,388	$ 2,843,880	$ 4,868,268
Miscellaneous	106,883	810,207	917,090
Total Operating Revenues	**2,131,271**	**3,654,087**	**5,785,358**
Operating Expenses:			
Materials and supplies	601,416	-	601,416
Contractual services	28,470	2,270,893	2,299,363
Administration and general	363,918	286,427	650,345
Depreciation expense	549,430	-	549,430
Total Operating Expenses	**1,543,234**	**2,557,320**	**4,100,554**
Changes in Net Assets	588,037	1,096,767	1,684,804
Net Assets:			
Beginning of Fiscal Year	3,508,776	(6,121,801)	(2,613,025)
End of Fiscal Year	**$ 4,096,813**	**$ (5,025,034)**	**$ (928,221)**

CITY OF HAWTHORNE

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	Equipment Replacement	Insurance Reserve	Total Internal Service Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	$ 2,173,532	$ 3,671,056	$ 5,844,588
Cash paid to supplies for goods and services	(576,943)	(3,210,537)	(3,787,480)
Cash paid to employees for services	(360,521)	(285,319)	(645,840)
Net Cash Provided (Used) by Operating Activities	**1,236,068**	**175,200**	**1,411,268**
Cash Flows from Non-Capital Financing Activities:			
Payment made to other funds	(573,824)	-	(573,824)
Net Cash Provided (Used) by Non-Capital Financing Activities	**(573,824)**	**-**	**(573,824)**
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(796,672)	-	(796,672)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(796,672)**	**-**	**(796,672)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(134,428)**	**175,200**	**40,772**
Cash and Cash Equivalents at Beginning of Year	2,105,435	18,717	2,124,152
Cash and Cash Equivalents at End of Year	**$ 1,971,007**	**$ 193,917**	**$ 2,164,924**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ 588,037	$ 1,096,767	$ 1,684,804
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	549,430	-	549,430
(Increase) decrease in accounts receivable	42,261	16,969	59,230
Increase (decrease) in accounts payable	52,943	202,984	255,927
Increase (decrease) in accrued liabilities	799	1,108	1,907
Increase (decrease) in claims and judgments	-	(1,142,628)	(1,142,628)
Increase (decrease) in compensated absences	2,598	-	2,598
Total Adjustments	**648,031**	**(921,567)**	**(273,536)**
Net Cash Provided (Used) by Operating Activities	**$ 1,236,068**	**$ 175,200**	**$ 1,411,268**

Non-Cash Investing, Capital, and Financing Activities:
There were no noncash transactions during the year.

CITY OF HAWTHORNE

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2010

	Community Facilities District	City Agency	Total
Assets:			
Cash and investments	$ 2,972,734	$ 641,710	$ 3,614,444
Receivables:			
Taxes	11,614	-	11,614
Restricted assets:			
Cash and investments with fiscal agents	7,182,401	-	7,182,401
Total Assets	**$ 10,166,749**	**$ 641,710**	**$ 10,808,459**
Accounts payable	$ -	$ 34,169	$ 34,169
Accrued liabilities	621,000	-	621,000
Deposits payable	-	607,541	607,541
Due to bondholders	9,545,749	-	9,545,749
Total Liabilities	**$ 10,166,749**	**$ 641,710**	**$ 10,808,459**

CITY OF HAWTHORNE

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Community Facilities District				
Assets:				
Cash and investments	$ 2,705,201	$ 4,610,116	$ 4,342,583	$ 2,972,734
Receivables:				
Taxes	10,813	11,614	10,813	11,614
Restricted assets:				
Cash and investments with fiscal agents	7,266,081	5,613,177	5,696,857	7,182,401
Total Assets	**$ 9,982,095**	**$ 10,234,907**	**$ 10,050,253**	**$ 10,166,749**
Liabilities:				
Accounts payable	$ -	$ 1,072,496	$ 1,072,496	$ -
Accrued liabilities	621,000	-	-	621,000
Due to bondholders	9,361,095	9,162,411	8,977,757	9,545,749
Total Liabilities	**$ 9,982,095**	**$ 10,234,907**	**$ 10,050,253**	**$ 10,166,749**
City Agency				
Assets:				
Cash and investments	$ 380,137	$ 4,707,934	$ 4,446,361	$ 641,710
Total Assets	**$ 380,137**	**$ 4,707,934**	**$ 4,446,361**	**$ 641,710**
Liabilities:				
Accounts payable	$ 16,269	$ 748,838	$ 730,938	$ 34,169
Deposits payable	363,868	3,959,096	3,715,423	607,541
Total Liabilities	**$ 380,137**	**$ 4,707,934**	**$ 4,446,361**	**$ 641,710**
Totals - All Agency Funds				
Assets:				
Cash and investments	$ 3,085,338	$ 9,318,050	$ 8,788,944	$ 3,614,444
Receivables:				
Taxes	10,813	11,614	10,813	11,614
Restricted assets:				
Cash and investments with fiscal agents	7,266,081	5,613,177	5,696,857	7,182,401
Total Assets	**$ 10,362,232**	**$ 14,942,841**	**$ 14,496,614**	**$ 10,808,459**
Liabilities:				
Accounts payable	$ 16,269	$ 1,821,334	$ 1,803,434	$ 34,169
Accrued liabilities	621,000	-	-	621,000
Deposits payable	363,868	3,959,096	3,715,423	607,541
Due to bondholders	9,361,095	9,162,411	8,977,757	9,545,749
Total Liabilities	**$ 10,362,232**	**$ 14,942,841**	**$ 14,496,614**	**$ 10,808,459**

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