HAWTHORNE SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

HAWTHORNE SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Hawthorne Unified School District
Hawthorne, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawthorne Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawthorne Unified School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 66, schedule of other postemployment benefits funding progress on page 67, schedule of the district's proportionate share of net pension liability on page 68, and the schedule of district contributions on page 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hawthorne Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2016, on our consideration of the Hawthorne Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hawthorne Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 11, 2016

Hawthorne School District

Educational Excellence

This section of Hawthorne School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016, with comparative information from 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Total net position of $6,980,484 increased $1,227,505 in 2015-2016 school year mainly from increase funding and offset with facilities project along with depreciation on capital assets.

- On August 5, 2015 the District issued Hawthorne School District General Obligation 2015 Series B Refunding Bonds (Election 1997 Bonds were refunded) for $4.4 million resulting in approximately $360,000 net savings to the taxpayers.

- Local Control Funding Formula increased revenues by approximately $12.4 million in accordance with overall targeted projections.

- The District has continued to be proactive when it comes to its facilities and infrastructure. Examples: Replaced aging roofs at all of its facilities; added new classrooms; remodeled, refurnished, and expanded its special education preschool program facilities; replaced vehicles for pupil transportation, as well as for the maintenance and technology crews.

Basic Fiscal Values

The District is a public educational organization based on fundamental human values of honesty, commitment, responsibility, respect, integrity, and professional ethics. Our priority is service to students, district employees and the community who look to us for support and educational leadership. We believe that the public deserves our complete candor and objectivity in our delivery of all services.

We provide safe, caring, courteous, and professional environment in a climate that fosters collaborative work and individual development for our employees. We hold each other and ourselves accountable for the highest level of performance, efficiency, resource management, and professionalism.

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We prioritize the District and School Site budgets to meet the needs of our students while maintaining fiscal solvency. We strive to efficiently allocate resources to support student learning; this is accomplished by conducting periodic budget review workshops with staff; labor organizations, our community and the School Board. We also continually monitor all district staffing levels, enrollment, revenues and expenditures. These steps are taken to comply with our fiscal responsibility to ensure all alignment with local, state and federal spending plans, as well as to minimize deficit spending and maintaining the legally-require reserve level.

Basic Fiscal Mission

Fiscal Responsibility - Prioritize the District and site budgets to meet the needs of students while maintaining fiscal solvency.

- The District provides 8,700 students with a world-class education that emphasizes standards-based skills in a safe and orderly learning environment.

- We serve as a connecting agency with other districts, local, State and Federal governmental agencies, and community agencies.

- We respond to District and community requests for staff development, administrative, business, educational and support services.

- We partner with parents, businesses, and the community for student success in the District.

Enrollment

The primary source of revenue for the District is generated by the average daily attendance (ADA) of students in the District. The growth or decline of ADA can have significant impact on the financial stability of the District. The District K-8 ADA has been declining since the 2002-2003 school year after several years of steady growth. Though the District has projected no growth in ADA for the next few years, the declining trend appears to be leveling based on early enrollment figures for the 2016-2017 school year. Furthermore, the community is undergoing major residential developments adding dwellings for approximately 345 occupants, in three separate development projects. Two of the developments will be ready for occupancy in late 2016, to early 2017; and the third is expected to be ready in late 2017 to early 2018. A demographic study conducted shows that these developments will add 41 new pupils to our enrollment during 2016-2017; these figures increasing by 145 new pupils for 2017-2018 and 206 new pupils for 2018-2019.

Solvency

The District must maintain a three percent Reserve for Economic Uncertainties. In 2015-2016, we met our goal of a three percent Reserve for Economic Uncertainties. It should be noted, however, that for our District, a three percent reserve for Economic Uncertainties is not the ceiling we may not exceed but rather the floor that we may not go below.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Hawthorne School District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for governmental activities.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Primary unit of the government is the Hawthorne School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District 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.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, the District activities are presented as follows:

Governmental Activities **-** Most of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds **-** not the District as a whole. Some funds are required to be established by State law and by 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 money that it receives from the U.S. Department of Education.

Governmental Funds **-** All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $6,980,484 for the fiscal year ended June 30, 2016. Of this amount, $(63,118,040) was unrestricted deficit. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use that net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	$ 32,162,698	$ 27,713,816
Capital assets	129,536,900	128,309,790
Total Assets	161,699,598	156,023,606
Deferred Outflows of Resources	17,539,929	4,773,687
Liabilities		
Current liabilities	10,515,638	6,914,306
Long-term obligations	78,834,363	78,437,626
Aggregate net pension liability	69,386,670	55,065,920
Total Liabilities	158,736,671	140,417,852
Deferred Inflows of Resources	13,522,372	14,626,462
Net Position		
Net investment in capital assets	60,088,724	58,493,879
Restricted	10,009,800	11,785,977
Unrestricted deficit	(63,118,040)	(64,526,877)
Total Net Position	$ 6,980,484	$ 5,752,979

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	$ 297,662	$ 299,197
Operating grants and contributions	19,004,989	17,279,995
General revenues:		
State LCFF sources	75,045,158	62,669,943
Property taxes	15,180,045	12,036,741
Other general revenues	5,146,402	3,389,289
Total Revenues	114,674,256	95,675,165
Expenses		
Instruction-related	75,090,133	66,507,339
Student support services	13,963,919	12,540,579
Administration	5,233,439	4,621,350
Maintenance and operations	11,788,832	10,636,831
Other	7,370,428	7,732,318
Total Expenses	113,446,751	102,038,417
Change in Net Position	$ 1,227,505	$ (6,363,252)

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $113,446,751. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $15,180,045.

In Table 3, we have presented the cost of each of the District's largest functions including; instruction, instruction-related activities, home-to-school transportation, other pupil services, general administration, plant services, ancillary services, community services, interest on long-term obligations, and other outgo, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost (Revenue) of Services	
	2016	2015	2016	2015
Instruction	$ 63,444,561	$ 56,988,623	$ 55,586,637	$ 50,828,899
Instruction-related activities	11,645,572	9,518,716	10,859,841	8,719,307
Home-to-school transportation	1,171,880	1,149,931	1,171,880	1,149,931
Other pupil services	12,792,039	11,390,648	4,629,802	3,952,551
Administration	5,233,439	4,621,350	4,805,148	4,264,059
Plant services	11,788,832	10,636,831	11,732,669	9,940,626
Ancillary services	35,156	339,245	33,057	229,878
Community services	1,102,795	1,070,405	1,389	-
Interest on long-term obligations	3,465,700	3,626,982	3,465,700	3,626,982
Other outgo	2,766,777	2,695,686	1,857,977	1,746,992
Total	$ 113,446,751	$ 102,038,417	$ 94,144,100	$ 84,459,225

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $21,810,413 which is an increase of $796,810 from last year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds as well.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget at almost every meeting of the Board of Trustees. Many changes are made to reflect the continual updating of educational priorities. The major budget revisions are as follows:

- First interim
- Second interim
- Year-end revisions

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had $129,536,900 in a broad range of capital assets, including land, buildings, and furniture and equipment (net of depreciation). This amount represents a net increase of $1,227,110. Depreciation expense for the year ended June 30, 2016, was $3,284,513.

Table 4

	Governmental Activities	
	2016	2015
Land and construction in process	$ 17,891,223	$ 16,563,277
Buildings and improvements	155,554,338	152,618,313
Furniture and equipment	4,497,612	4,249,960
Accumulated depreciation	(48,406,273)	(45,121,760)
Total Capital Assets (net)	$129,536,900	$128,309,790

Long-Term Obligations

At the end of this year, the District had $78,834,363 in outstanding debt versus $78,437,626 last year, an increase of $396,737. Those debts consisted of:

Table 5

	Governmental Activities	
	2016	2015
General obligation bonds	$ 64,389,475	$ 65,211,727
Premium on general obligation bond	1,807,126	1,881,152
Certificates of participation	3,515,000	3,610,000
Accumulated vacation - Net	568,684	524,224
Capitalized lease obligations	-	3,793
Net OPEB obligation	8,554,078	7,206,730
Total	$ 78,834,363	$ 78,437,626

The District's general obligation bond rating continues to be "AAA". The State limits the amount of general obligation debt that Districts can issue to five percent of the assessed value of all taxable property within the District's boundaries.

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

Net Pension Liability (NPL)

As of June 30, 2016, the District's Net pension liability is $69,386,670 as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

	Governmental Activities	
	2016	2015
Net pension liability	$ 69,386,670	$ 55,065,920

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly impact its financial health in the future:

- The skyrocketing cost of health benefits.
- The tenuous nature of the State's budget.

ECONOMIC FACTORS AND NEXT YEAR BUDGETS AND RATES

In considering the District Budget for the 2016-2017 year, the board and management used the following criteria: The State has enacted the Local Control Funding Formula (LCFF) to replace revenue limits and most categorical programs, commencing in 2013-2014. According to School Services of California, this is the most sweeping reform of the state's school finance system since the enactment of Senate Bill 90 in the early 1970's. At full implementation, the LCFF will fund every student at the same base rate. It is projected that it will take approximately eight years until full implementation is reached; therefore, this will make it difficult to project future revenues.

The District is still experiencing declining enrollment.

1. District enrollment calculation for LCFF was based on a conservative $7,959 average daily attendance (ADA).
2. Class size reduction is projected to be approximately $2.7 million at LCFF full implementation.
3. State revenue projections have increased due to the one-time Mandated Cost funding.

Expenditures are based on the following forecasts and directives:

1. Step and column enhancement.
2. No furlough days off for all staff.
3. A 10 percent increase on Health and Welfare.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Official, at Hawthorne School District, Hawthorne, California, or e-mail at aborth@hawthorne.k12.ca.us. You may also contact the Director of Fiscal Services, at Hawthorne School District, Hawthorne, California, or e-mail at jmoreno@hawthorne.k12.ca.us.

HAWTHORNE SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

		Governmental Activities
ASSETS		
Deposits and investments	$	25,319,921
Receivables		4,816,123
Prepaid expenditures		127,855
Stores inventories		186,512
Other current assets		1,712,287
Capital assets		
Land and construction in progress		17,891,223
Other capital assets		160,051,950
Less: accumulated depreciation		(48,406,273)
Total Capital Assets		129,536,900
Total Assets		161,699,598
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		73,705
Deferred outflows of resources related to pensions		17,466,224
Total Deferred Outflows of Resources		17,539,929
LIABILITIES		
Accounts payable		10,294,776
Interest payable		163,353
Unearned revenue		57,509
Current portion of long-term obligations other than pensions		3,710,000
Noncurrent portion of long-term obligations other than pensions		75,124,363
Total Long Term-Obligations		78,834,363
Aggregate net pension liability		69,386,670
Total Long-Term Obligations		78,834,363
Total Liabilities		158,736,671
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		13,522,372
Total Deferred Inflows of Resources		13,522,372
NET POSITION		
Net investment in capital assets		60,088,724
Restricted for:		
Debt service		4,147,675
Capital projects		231,249
Educational programs		3,027,175
Other activities		2,603,701
Unrestricted deficit		(63,118,040)
Total Net Position	$	6,980,484

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

HAWTHORNE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	$ 63,444,561	$ -	$ 7,857,924	$ (55,586,637)
Instruction-related activities:				
Supervision of instruction	4,159,908	-	661,138	(3,498,770)
Instructional library, media and technology	1,006,693	-	-	(1,006,693)
School site administration	6,478,971	-	124,593	(6,354,378)
Pupil services:				
Home-to-school transportation	1,171,880	-	-	(1,171,880)
Food services	7,429,428	290,515	6,879,174	(259,739)
All other pupil services	5,362,611	-	992,548	(4,370,063)
Administration:				
Data processing	1,020,687	-	1,000	(1,019,687)
All other administration	4,212,752	6,766	420,525	(3,785,461)
Plant services	11,788,832	381	55,782	(11,732,669)
Ancillary services	35,156	-	2,099	(33,057)
Community services	1,102,795	-	1,101,406	(1,389)
Enterprise services	13,560			(13,560)
Interest on long-term obligations	3,465,700	-	-	(3,465,700)
Other outgo	2,753,217	-	908,800	(1,844,417)
Total Governmental Activities	$ 113,446,751	$ 297,662	$ 19,004,989	(94,144,100)

General revenues and subventions:	
Property taxes, levied for general purposes	8,820,182
Property taxes, levied for debt service	4,290,778
Taxes levied for other specific purposes	2,069,085
Federal and State aid not restricted to specific purposes	75,045,158
Interest and investment earnings	112,261
Miscellaneous	5,034,141
Subtotal, General Revenues	95,371,605
Excess (Deficiency) of Revenues Over Expenses	1,227,505
Net Position - Beginning	5,752,979
Net Position - Ending	$ 6,980,484

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

HAWTHORNE SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 14,933,100	$ 1,500,314	$ 4,147,675
Receivables	3,252,750	1,065	-
Prepaid expenditures	127,855	-	-
Stores inventories	104,117	-	-
Other current assets	1,712,287	-	-
Total Assets	$ 20,130,109	$ 1,501,379	$ 4,147,675
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 7,630,348	$ 1,118,974	$ -
Unearned revenue	41,637	-	-
Total Liabilities	7,671,985	1,118,974	-
Fund Balances:			
Nonspendable	237,972	-	-
Restricted	2,881,866	-	4,147,675
Committed	-	382,405	-
Assigned	6,430,362	-	-
Unassigned	2,907,924	-	-
Total Fund Balances	12,458,124	382,405	4,147,675
Total Liabilities and Fund Balances	$ 20,130,109	$ 1,501,379	$ 4,147,675

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

Non-Major Governmental Funds	Total Governmental Funds
$ 4,738,832	$ 25,319,921
1,562,308	4,816,123
-	127,855
82,395	186,512
-	1,712,287
$ 6,383,535	$ 32,162,698
$ 1,545,454	$ 10,294,776
15,872	57,509
1,561,326	10,352,285
82,995	320,967
2,980,259	10,009,800
-	382,405
1,758,955	8,189,317
-	2,907,924
4,822,209	21,810,413
$ 6,383,535	$ 32,162,698

HAWTHORNE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balance - Governmental Funds		$ 21,810,413
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	$ 177,943,173	
Accumulated depreciation is:	(48,406,273)	
Net Capital Assets		129,536,900
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		73,705
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		5,954,713
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		3,912,099
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(163,353)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(4,949,201)
The difference between expected and actual experiencein the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(54,966)
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(918,793)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(69,386,670)
Long-term obligations at year-end consist of:		
General obligation bonds	(64,389,475)	
Premium on general obligation bonds	(1,807,126)	
Certificates of participation	(3,515,000)	
Compensated absences	(568,684)	
Net OPEB obligation	(8,554,078)	
Total Long-Term Obligations		(78,834,363)
Total Net Position - Governmental Activities		$ 6,980,484

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

HAWTHORNE SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Reserve Capital Fund	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	$ 72,301,371	$ -	$ -
Federal sources	5,823,460	-	-
Other State sources	13,841,769	-	22,293
Other local sources	4,926,328	1,065	4,300,097
Total Revenues	96,892,928	1,065	4,322,390
EXPENDITURES			
Current			
Instruction	58,036,484	-	-
Instruction-related activities:			
Supervision of instruction	3,074,567	-	-
Instructional library, media and technology	903,801	-	-
School site administration	5,868,336	-	-
Pupil services:			
Home-to-school transportation	1,171,283	-	-
Food services	-	-	-
All other pupil services	5,099,434	-	-
Administration:			
Data processing	1,017,836	-	-
All other administration	3,171,599	-	-
Plant services	9,878,872	-	-
Facility acquisition and construction	1,066,519	1,327,946	-
Ancillary services	5,185	-	-
Community services	1,102,794	-	-
Other outgo	-	-	85,989
Enterprise services	-	-	-
Debt service			
Principal	95,000	-	6,760,309
Interest and other	159,190	-	1,837,012
Total Expenditures	90,650,900	1,327,946	8,683,310
Excess (Deficiency) of Revenues Over Expenditures	6,242,028	(1,326,881)	(4,360,920)
Other Financing Sources (Uses)			
Transfers in	-	1,709,286	-
Other sources	-	-	4,425,989
Transfers out	(987,599)	-	-
Other uses	(2,740,933)	-	-
Net Financing Sources (Uses)	(3,728,532)	1,709,286	4,425,989
NET CHANGE IN FUND BALANCES	2,513,496	382,405	65,069
Fund Balance - Beginning	9,944,628	-	4,082,606
Fund Balances - Ending	$ 12,458,124	$ 382,405	$ 4,147,675

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

Non-Major Governmental Funds	Total Governmental Funds
$ 5,526,536	$ 77,827,907
6,517,887	12,341,347
991,041	14,855,103
560,669	9,788,159
13,596,133	114,812,516
2,879,441	60,915,925
25,557	3,100,124
-	903,801
486,498	6,354,834
-	1,171,283
7,251,862	7,251,862
248,566	5,348,000
-	1,017,836
172,861	3,344,460
1,510,171	11,389,043
2,419,662	4,814,127
30,450	35,635
-	1,102,794
-	85,989
13,538	13,538
-	6,855,309
-	1,996,202
15,038,606	115,700,762
(1,442,473)	(888,246)
987,599	2,696,885
-	4,425,989
(1,709,286)	(2,696,885)
-	(2,740,933)
(721,687)	1,685,056
(2,164,160)	796,810
6,986,369	21,013,603
$ 4,822,209	$ 21,810,413

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds		$ 796,810
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlay in the period.		
Capital outlays	$ 4,511,623	
Depreciation expense	(3,284,513)	
Net expense adjustment		1,227,110
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation used was less than the amounts earned by $44,460.		(44,460)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(524,123)
In the Statement of Activities, Other Postemployment Benefit Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by $1,347,348.		(1,347,348)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bond		(4,340,000)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:		
Deferred amount on refunding		85,989

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued
FOR THE YEAR ENDED JUNE 30, 2016

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	$ 7,705,002	
Certificates of participation	95,000	
Capital lease obligations	3,793	
Combined adjustment		$ 7,803,795
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	74026	
Amortization of deferred amount on refunding	(12,284)	
Combined adjustment		61,742
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds of $2,492,010.		(2,492,010)
Change in Net Position of Governmental Activities		$ 1,227,505

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

HAWTHORNE SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	ASB Funds
ASSETS	
Deposits and investments	$ 149,026
LIABILITIES	
Due to student groups	$ 149,026

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Hawthorne School District (the District) was established in 1908 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-8 as mandated by the State and/or Federal agencies. The District operates seven elementary schools, three middle schools, and one charter school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Hawthorne School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds.

Major Governmental Fund

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets and fund balance of $3,000,660 and $3,000,660, respectively.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Charter School Fund The Charter School Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

Foundation Permanent Fund The Foundation Permanent Fund is used to account for resources received from gifts or bequests pursuant to *Education Code* Section 41031 that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District's own programs and where there is a formal trust agreement with the donor.

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial S*tatement of Activities* presents a comparison between direct expenses and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.
Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county pool are determined by the program sponsors.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial *Statement of Net Position*. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, five to 50 years; equipment, two to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental column of the *Statement of Net Position*.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide *Statement of Net Position*. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements reports $6,980,484 of net position, of which $10,009,800 was restricted.

Interfund Activity

Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental columns of the *Statement of Activities*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the *California Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

- The gross dollar amount of taxes abated during the period.

- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	$	25,319,921
Fiduciary funds		149,026
Total Deposits and Investments	$	25,468,947

Deposits and investments as of June 30, 2016 consisted of the following:

Cash on hand and in banks	$	1,395,441
Cash in revolving		6,800
Investments		24,066,706
Total Deposits and Investments	$	25,468,947

Policies and Practices

The District is authorized under California *Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Wieghted Average Maturity in Days
County Pool	$ 24,066,706	608

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2016.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of $1,530,195 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value	Uncategorized
County Pool	$ 24,066,706	$ 24,066,706

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	$ 1,394,328	$ -	$ 1,240,242	$ 2,634,570
State Government				
Categorical aid	520,317	-	108,353	628,670
Lottery	925,107	-	62,669	987,776
Local Government				
Interest	27,011	1,065	7,140	35,216
Other Local Sources	385,987	-	143,904	529,891
Total	$ 3,252,750	$ 1,065	$ 1,562,308	$ 4,816,123

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 16,563,277	$ -	$ -	$ 16,563,277
Construction in process	-	1,327,946	-	1,327,946
Total Capital Assets Not Being Depreciated	16,563,277	1,327,946	-	17,891,223
Capital Assets Being Depreciated				
Land improvements	2,111,040	-	-	2,111,040
Buildings and improvements	150,507,273	2,936,025	-	153,443,298
Furniture and equipment	4,249,960	247,652	-	4,497,612
Total Capital Assets Being Depreciated	156,868,273	3,183,677	-	160,051,950
Less Accumulated Depreciation				
Land improvements	1,621,130	85,594	-	1,706,724
Buildings and improvements	40,160,451	2,948,607	-	43,109,058
Furniture and equipment	3,340,179	250,312	-	3,590,491
Total Accumulated Depreciation	45,121,760	3,284,513	-	48,406,273
Governmental Activities Capital Assets, Net	$128,309,790	$ 1,227,110	$ -	$129,536,900

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 2,299,159
Supervision of instruction	131,381
Instructional library, media, and technology	98,535
School site administration	98,535
Food services	164,226
All other general administration	426,987
Plant services	65,690
Total Depreciation Expenses Governmental Activities	$ 3,284,513

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	$ 2,854,298	$ 1,118,974	$ 1,055,833	$ 5,029,105
Salaries and benefits	3,844,499	-	-	3,844,499
Construction	931,551	-	489,621	1,421,172
Total	$ 7,630,348	$ 1,118,974	$ 1,545,454	$ 10,294,776

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	$ 41,637	$ -	$ 41,637
Other local	-	15,872	15,872
Total	$ 41,637	$ 15,872	$ 57,509

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	$ 65,211,727	$ 6,882,750	$ 7,705,002	$ 64,389,475	$3,610,000
Premium on general obligation bonds	1,881,152	-	74,026	1,807,126	-
Certificates of participation	3,610,000	-	95,000	3,515,000	100,000
Compensated absences	524,224	44,460	-	568,684	-
Capital lease obligations	3,793	-	3,793	-	-
Net OPEB obligation	7,206,730	2,195,833	848,485	8,554,078	-
	$ 78,437,626	$ 9,123,043	$ 8,726,306	$ 78,834,363	$ 3,710,000

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date June 30,	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Issued	Accretion	Redeemed	Bonds Outstanding June 30, 2016
1998	2023	4.45 - 5.02%	$ 5,997,115	$ 6,371,680	$ -	$ 306,436	$ 930,000	$ 5,748,116
2002	2028	2.00 - 5.45%	3,504,844	5,178,900	-	294,053	170,000	5,302,953
2004	2020	2.00 - 5.10%	1,997,115	1,100,200	-	71,008	230,000	941,208
2005	2025	2.05 - 4.61%	9,850,061	1,805,932	-	136,210	150,000	1,792,142
2005	2017	1.90 - 4.37%	12,315,000	5,340,000	-	-	4,750,000	590,000
2005	2031	3.86 - 5.14%	5,108,625	6,396,034	-	317,706	590,000	6,123,740
2008	2049	3.00 - 6.15%	9,036,599	12,424,540	-	707,669	175,000	12,957,209
2009	2035	2.61 - 6.00%	6,665,001	7,131,656	-	226,536	240,000	7,118,192
2012	2043	2.00 - 5.35%	13,331,770	13,997,785	-	483,130	325,000	14,155,915
2015	2030	3.49%	5,465,000	5,465,000	-	-	75,000	5,390,000
2016	2022	2.63%	4,340,000	-	4,340,000	-	70,000	4,270,000
				$ 65,211,727	$ 4,340,000	$ 2,542,748	$ 7,705,000	$ 64,389,475

Election 1997, Series B General Obligation Bonds

In September 1998, the District issued $5,997,115 accreting to $13,895,000 in Election 1997, Series B General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovating school facilities throughout the District and paying costs related to the financing. The remaining bonds mature through November 2022, and yield interest ranging from 4.45 percent to 5.02 percent. At June 30, 2016, the principal balance outstanding was $2,297,474 with accreted interest of $3,450,642 for a total of $5,784,116.

The bonds mature through 2023 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2017	$ 924,803	$ 15,197	$ 940,000
2018	894,545	60,455	955,000
2019	860,024	104,976	965,000
2020	848,270	151,730	1,000,000
2021	806,713	192,287	999,000
2022-2023	1,413,761	616,239	2,030,000
Total	$ 5,748,116	$ 1,140,884	$ 6,889,000

Election 1997, Series C General Obligation Bonds

In November 2002, the District issued $3,504,844 accreting to $9,490,000 in Election 1997, Series C General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through November 2027, and yield interest ranging from 2.00 percent to 5.45 percent. At June 30, 2016, the principal balance outstanding was $2,444,844 with accreted interest of $2,858,109 for a total of $5,302,953.

The bonds mature through 2028 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2017	$ 186,754	$ 3,246	$ 190,000
2018	186,395	13,605	200,000
2019	189,620	25,380	215,000
2020	183,259	36,741	220,000
2021	188,534	51,466	240,000
2022-2026	2,867,144	1,682,856	4,550,000
2027-2028	1,501,247	1,313,753	2,815,000
Total	$ 5,302,953	$ 3,127,047	$ 8,430,000

Election 1997, Series D General Obligation Bonds

In April 2004, the District issued $1,997,114.75 accreting to $2,705,000 in Election 1997, Series D General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and acquisition of certain real property and improvements for school facilities within the District. The remaining bonds mature through November 2019, and yield interest ranging from 2.00 percent to 5.10 percent. At June 30, 2016, the principal balance outstanding was $362,115 with accreted interest of $579,093 for a total of $941,208.

The bonds mature through 2020 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2017	$ 277,691	$ 7,309	$ 285,000
2018	270,253	29,747	300,000
2019	262,357	52,643	315,000
2020	130,907	39,093	170,000
Total	$ 941,208	$ 128,792	$ 1,070,000

Election 2004, Series A General Obligation Bonds

In January 2005, the District issued $9,850,061 accreting to $11,900,000 in Election 2004, Series A General Obligation Bonds. Proceeds from the bonds will be used for the purpose of the construction, equipping, furnishing, and improvement of certain school facilities within the District. The remaining bonds mature through November 2025, and yield interest ranging from 2.05 percent to 4.61 percent. At June 30, 2016, the principal balance outstanding was $731,152 with accreted interest of $1,060,990 for a total of $1,792,142.

The bonds mature through 2025 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2017	$ 183,814	$ 1,186	$ 185,000
2018	197,504	17,496	215,000
2019	212,372	37,628	250,000
2020	223,794	61,206	285,000
2021	232,322	87,678	320,000
2022-2025	742,336	457,664	1,200,000
Total	$ 1,792,142	$ 662,858	$ 2,455,000

Election 1997, Series E General Obligation Bonds

In January 2005, the District issued $12,315,000 in Election 1997, Series E General Obligation Bonds. Proceeds from the bonds will be used for the purpose of the construction, equipping, furnishing, and improvement of certain school facilities within the District. The remaining bonds mature through November 2017, and yield interest ranging from 1.90 percent to 4.37 percent. At June 30, 2016, the principal balance outstanding was $590,000.

The bonds mature through 2017 as follows:

Fiscal Year	Principal	Current Interest	Total
2017	$ 590,000	$ 11,063	$ 601,063

Election 2004, Series B General Obligation Bonds

On December 7, 2005, the District issued $5,108,625 accreting to $11,080,000 in Election 2004, Series B General Obligation Bonds. Proceeds from the bonds will be used for the purpose of the construction, equipping, furnishing, and improvement of certain school facilities within the District. The remaining bonds mature through August 2030, and yield interest ranging from 3.86 percent to 5.14 percent. At June 30, 2016, the principal balance outstanding was $3,512,937 with accreted interest of $2,610,803 for a total of $6,123,740.

The bonds mature through 2031 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2017	$ 582,659	$ 2,341	$ 585,000
2018	564,204	30,796	595,000
2019	536,300	58,700	595,000
2020	509,291	85,709	595,000
2021	487,422	112,578	600,000
2022-2026	1,897,456	882,544	2,780,000
2027-2031	1,546,408	1,548,592	3,095,000
Total	$ 6,123,740	$ 2,721,260	$ 8,845,000

Election 2004, Series C General Obligation Bonds

In July 2008, the District issued $9,036,599 accreting to $61,840,000 in Election 2004, Series C General Obligation Bonds. Proceeds from the bonds will be used for the purpose of the construction, equipping, furnishing, and improvement of certain school facilities within the District. The remaining bonds mature through August 2048, and yield interest ranging from 2.36 percent to 6.15 percent. At June 30, 2016, the principal balance outstanding was $8,491,599 with accreted interest of $4,465,610 for a total of $12,957,209.

The bonds mature through 2049 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Interest	Total
2017	$ 190,000	$ -	$ 75,645	$ 265,645
2018	195,000	-	68,045	263,045
2019	170,000	-	60,245	230,245
2020	220,000	-	53,445	273,445
2021	230,000	-	44,425	274,425
2022-2026	981,769	433,881	-	1,415,650
2027-2031	375,509	1,144,491	-	1,520,000
2032-2036	1,022,028	2,987,972	-	4,010,000
2037-2041	4,178,396	11,571,604	-	15,750,000
2042-2046	-	-	-	-
2047-2049	5,394,507	32,270,493	-	37,665,000
Total	$ 12,957,209	$ 48,408,441	$ 301,805	$ 61,667,455

Election 2008, Series A General Obligation Bonds

In September 2009, the District issued $6,665,001 accreting to $9,663,614 in Election 2008, 2009 Series A General Obligation Bonds. Proceeds from the bonds will be used for the purpose of the construction, equipping, furnishing, and improvement of certain capital facilities of the District. The remaining bonds mature through August 2034, and yield interest ranging from 2.61 percent to 6.00 percent. At June 30, 2016, the principal balance outstanding was $5,986,343, with accreted interest of $1,139,849 for a total of $7,118,192.

The bonds mature through 2035 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Interest	Total
2017	$ 252,594	$ 2,406	$ -	$ 255,000
2018	233,622	31,378	-	265,000
2019	223,616	61,384	-	285,000
2020	209,493	90,507	-	300,000
2021	195,769	119,231	-	315,000
2022-2026	873,931	966,069	-	1,840,000
2027-2031	2,279,167	190,833	823,650	3,293,650
2032-2035	2,850,000	-	371,250	3,221,250
Total	$ 7,118,192	$ 1,461,808	$ 1,194,900	$ 9,774,900

Election 2008, Series B General Obligation Bonds

In April 2012, the District issued $13,331,770 accreting to $19,755,000 in Election 2008, 2012 Series B General Obligation Bonds. Proceeds from the bonds will be used for the purpose of the construction, equipping, furnishing, and improvement of certain capital facilities of the District. The remaining bonds mature through August 2042, and yield interest ranging from 2.00 percent to 5.35 percent. At June 30, 2016, the principal balance outstanding was $12,296,770, with accreted interest of $1,859,145 for a total of $14,155,915.

The bonds mature through 2043 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Interest	Total
2017	$ 350,000	$ -	$ 155,066	$ 505,066
2018	380,000	-	148,066	528,066
2019	410,000	-	132,866	542,866
2020	445,000	-	120,566	565,566
2021	485,000	-	107,216	592,216
2022-2026	1,500,000	-	1,727,076	3,227,076
2027-2031	660,000	-	3,357,386	4,017,386
2032-2036	340,000	-	1,504,730	1,844,730
2037-2041	2,487,120	1,972,880	-	4,460,000
2042-2043	7,098,795	2,591,205	-	9,690,000
Total	$ 14,155,915	$ 4,564,085	$ 7,252,972	$ 25,972,972

Election 2004 Refunding, 2015 Series A General Obligation Bonds

In May 2015, the District issued $5,465,000 in Election 2004, 2015 Series A General Obligation Refunding Bonds. Proceeds from the bonds will be used to refund a portion of the District's General Obligation Bonds, Election 2004, 2005 Series A. The remaining bonds mature through August 2029, and yield an interest 3.49 percent. At June 30, 2016, the principal balance outstanding was $5,390,000.

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Interest	Total
2017	$ 10,000	$ 188,024	$ 198,024
2018	10,000	187,675	197,675
2019	10,000	187,326	197,326
2020	10,000	186,977	196,977
2021	15,000	186,628	201,628
2022-2026	1,780,000	875,118	2,655,118
2027-2030	3,555,000	257,911	3,812,911
Total	$ 5,390,000	$ 2,069,659	$ 7,459,659

Election 1997 Refunding, 2015 Series B General Obligation Bonds

In August 2016, the District issued $4,340,000 in Election 1997, 2015 Series B General Obligation Refunding Bonds. Proceeds from the Bonds were used to currently refund a portion of the District's outstanding General Obligation Bonds, Election 1997, 2005 Series E. The Bonds mature May 1, 2022 yield interest of 2.63 percent. The refunding resulted in a cumulative cash flow savings of $630,623 over the life of the new debt and an economic gain of $700,000 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 6.00 percent. At June 30, 2016, the principal balance outstanding was $4,270,000 and deferred charge on refunding was $73,705.

The Bonds mature through 2022 as follows:

Fiscal Year	Principal	Interest	Total
2017	$ 30,000	$ 112,235	$ 142,235
2018	640,000	107,304	747,304
2019	665,000	90,275	755,275
2020	685,000	72,720	757,720
2021	710,000	54,507	764,507
2022	1,540,000	30,377	1,570,377
Total	$ 4,270,000	$ 467,418	$ 4,737,418

Certificates of Participation

On May 22, 2007, the District issued certificates of participation in the amount of $5,075,000 with interest rates ranging from 3.7 percent to 4.7 percent. Proceeds from the certificate of participation will be used for modernization of school facilities. In the fiscal year 2012, a portion of the balance was paid off with the issuance of 2012 Series B, General Obligation Bonds. At June 30, 2016, the principal balance outstanding was $3,515,000.

The certificates mature through 2038 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 100,000	$ 155,169	$ 255,169
2018	105,000	150,941	255,941
2019	105,000	146,518	251,518
2020	110,000	141,895	251,895
2021	115,000	137,058	252,058
2022-2026	660,000	603,873	1,263,873
2027-2031	820,000	438,725	1,258,725
2032-2036	1,025,000	231,340	1,256,340
2037-2038	475,000	21,963	496,963
Total	$ 3,515,000	$ 2,027,482	$ 5,542,482

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to $568,684.

Capital Leases

	Equipment
Balance, Beginning of Year	$ 4,625
Payments	(4,625)
Balance, End of Year	$ -

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2016, include the following:

Equipment	$ 303,778
Less: Accumulated depreciation	(303,778)
Total	$ -

Other Postemployment Benefits (OPEB) Asset/Obligation

The District's annual required contribution for the year ended June 30, 2016, was $1,835,496, and contributions made by the District during the year were $402,001. Interest on the net OPEB obligation and adjustments to the annual required contribution were $360,337 and $(446,484), respectively, which resulted in an/a increase to the net OPEB obligation of $1,347,348. As of June 30, 2016, the net OPEB obligation was $8,554,078. See Note 10 for additional information regarding the OPEB asset/obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 6,000	$ -	$ -	$ 600	$ 6,600
Stores inventories	104,117	-	-	82,395	186,512
Prepaid expenditures	127,855	-	-	-	127,855
Total Nonspendable	237,972	-	-	82,995	320,967
Restricted					
Legally restricted programs	2,881,866	-	-	2,749,010	5,630,876
Capital projects	-	-	-	231,249	231,249
Debt services	-	-	4,147,675	-	4,147,675
Total Restricted	2,881,866	-	4,147,675	2,980,259	10,009,800
Assigned					
Other State Site Funds Carryover	228,185	-	-	-	228,185
LCFF EIA (S/C)	182,875	-	-	-	182,875
LCFF S/C	846,525	-	-	116,960	963,485
LCFF S/C Site Funds Carryover	64,222	-	-	-	64,222
Budget contingency	2,107,895	-	-	1,055,228	3,163,123
Deferred maintenance	-	-	-	24,311	24,311
Capital Projects	-	382,405	-	351,224	733,629
Other	3,000,660	-	-	211,232	3,211,892
Total Assigned	6,430,362	382,405	-	1,758,955	8,571,722
Unassigned					
Reserve for economic uncertainties	2,907,924	-	-	-	2,907,924
Total Unassigned	2,907,924	-	-	-	2,907,924
Total	$ 12,458,124	$ 382,405	$ 4,147,675	$ 4,822,209	$ 21,810,413

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Hawthorne Elementary School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 702 retirees and beneficiaries currently receiving benefits, and 64 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed $402,001 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,835,496
Interest on net OPEB obligation	360,337
Adjustment to annual required contribution	(446,484)
Annual OPEB cost (expense)	1,749,349
Contributions made	(402,001)
Increase in net OPEB obligation	1,347,348
Net OPEB obligation, beginning of year	7,206,730
Net OPEB obligation, end of year	$ 8,554,078

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	$ 1,511,249	$ 376,799	24.93%	$ 5,737,017
2015	$ 1,852,973	$ 383,260	20.68%	$ 7,206,730
2016	$ 1,749,349	$ 402,001	22.98%	$ 8,554,078

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	$ -	$ 15,002,003	$ 15,002,003	0%	$ 41,104,265	36%

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, investment returns, mortality, and the healthcare cost trend. 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, presented as required supplementary information following the notes to the financial statements, 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.

NOTE 11 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in one public entity risk pool, Joint Powers Authority (JPA) for the workers' compensation programs and purchases liability coverage through the JPA's. Refer to Note 15 for additional information regarding the JPA's. Excess property and liability coverage is obtained through Alliance for Schools for Cooperative Insurance Programs (ASCIP).

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 54,433,028	$ 12,120,286	$ 9,635,577	$ 4,642,002
CalPERS	14,953,642	5,345,938	3,886,795	1,482,149
Total	$ 69,386,670	$ 17,466,224	$ 13,522,372	$ 6,124,151

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were $4,481,058.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$	54,433,028
State's proportionate share of the net pension liability associated with the District		28,789,071
Total	$	83,222,099

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0809 percent and 0.0755 percent, resulting in a net increase in the proportionate share of 0.0054 percent.

For the year ended June 30, 2016, the District recognized pension expense of $4,642,002. In addition, the District recognized pension expense and revenue of $2,454,286 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,481,058	$ -
Net change in proportionate share of net pension liability	3,350,416	-
Difference between projected and actual earnings on pension plan investments	4,288,812	8,725,989
Differences between expected and actual experience in the measurement of the total pension liability	-	909,588
Total	$ 12,120,286	$ 9,635,577

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (1,836,460)
2018	(1,836,460)
2019	(1,836,460)
2020	1,072,203
Total	$ (4,437,177)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 406,805
2018	406,805
2019	406,805
2020	406,805
2021	406,805
Thereafter	406,803
Total	$ 2,440,828

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 82,189,635
Current discount rate (7.60%)	$ 54,433,028
1% increase (8.60%)	$ 31,365,047

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were $1,473,655.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $14,953,642. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.1014 percent and 0.0965percent, resulting in a net increase in the proportionate share of 0.0049 percent.

For the year ended June 30, 2016, the District recognized pension expense of $1,482,149. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,473,655	$ -
Net change in proportionate share of net pension liability	561,683	-
Difference between projected and actual earnings on pension plan investments	2,455,977	2,968,002
Differences between expected and actual experience in the measurement of the total pension liability	854,623	-
Changes of assumptions	-	918,793
Total	$ 5,345,938	$ 3,886,795

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (375,340)
2018	(375,340)
2019	(375,340)
2020	613,995
Total	$ (512,025)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 171,556
2018	171,556
2019	154,401
Total	$ 497,513

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 24,338,298
Current discount rate (7.65%)	$ 14,953,642
1% increase (8.65%)	$ 7,149,673

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $2,454,286 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

Litigation

The District is not currently a party to any legal proceedings.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOL

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) public entity risk pool. The District pays an annual premium to the entity for its health, workers' compensation, and property liability coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

The entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. Audited financial statements are available from the respective entity.

During the year ended June 30, 2016, the District made a payment of $1,936,761 to ASCIP.

NOTE 15 - SUBSEQUENT EVENTS

On July 20, 2016, the District issued $7,085,000 of Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes mature on June 1, 2017. The notes were issued to supplement cash flows. Interest and principal are due in June 2017. By June 2017, the District is required to have placed 100 percent of the principal and interest in an irrevocable trust for the sole purpose of satisfying the notes.

REQUIRED SUPPLEMENTARY INFORMATION

HAWTHORNE SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$72,293,240	$71,874,257	$ 72,301,371	$ 427,114
Federal sources	4,976,496	6,878,298	5,823,460	(1,054,838)
Other State sources	10,505,692	11,305,969	13,841,769	2,535,800
Other local sources	3,097,200	4,519,229	4,926,328	407,099
Total Revenues [1]	90,872,628	94,577,753	96,892,928	2,315,175
EXPENDITURES				
Current				
Certificated salaries	38,555,912	41,565,637	40,451,029	1,114,608
Classified salaries	11,006,417	11,693,978	11,635,291	58,687
Employee benefits	19,019,799	19,733,255	19,702,290	30,965
Books and supplies	4,796,511	8,024,103	5,349,350	2,674,753
Services and operating expenditures	9,032,230	11,327,039	10,596,436	730,603
Other outgo	2,588,845	3,039,389	1,975,497	1,063,892
Capital outlay	140,000	1,855,954	686,817	1,169,137
Debt service - principal	-	-	95,000	(95,000)
Debt service - interest	-	-	159,190	(159,190)
Total Expenditures [1]	85,139,714	97,239,355	90,650,900	6,588,455
Excess (Deficiency) of Revenues Over Expenditures	5,732,914	(2,661,602)	6,242,028	8,903,630
Other Financing Sources (Uses)				
Transfers out	(4,892,489)	(2,992,600)	(987,599)	2,005,001
Other uses	-	-	(2,740,933)	(2,740,933)
Net Financing Sources (Uses)	(4,892,489)	(2,992,600)	(3,728,532)	(735,932)
NET CHANGE IN FUND BALANCES	840,425	(5,654,202)	2,513,496	8,167,698
Fund Balance - Beginning	9,944,628	9,944,628	9,944,628	-
Fund Balance - Ending	$10,785,053	$ 4,290,426	$ 12,458,124	$ 8,167,698

[1] On behalf payments of $2,454,286 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

HAWTHORNE SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2010	$ -	$ 10,594,481	$ 10,594,481	0%	$ 39,543,725	27%
July 1, 2012	$ -	$ 12,348,614	$ 12,348,614	0%	$ 39,508,136	31%
July 1, 2014	$ -	$ 15,002,003	$ 15,002,003	0%	$ 41,104,265	36%

See accompanying note to required supplementary information.

HAWTHORNE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability (asset)	0.0809%	0.0755%
District's proportionate share of the net pension liability (asset)	$54,433,028	$44,111,211
State's proportionate share of the net pension liability (asset) associated with the District	28,789,071	26,636,254
Total	$83,222,099	$70,747,465
District's covered - employee payroll	$38,859,764	$38,467,115
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	140.08%	114.67%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability (asset)	0.1014%	0.0965%
District's proportionate share of the net pension liability (asset)	$14,953,642	$10,954,709
District's covered - employee payroll	$11,239,932	$11,168,950
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	133.04%	98.08%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

HAWTHORNE SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 4,481,058	$ 3,450,747
Contributions in relation to the contractually required contribution	(4,481,058)	(3,450,747)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 41,761,957	$ 38,859,764
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	$ 1,473,655	$ 1,322,940
Contributions in relation to the contractually required contribution	(1,473,655)	(1,322,940)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 12,435,907	$ 11,239,932
Contributions as a percentage of covered - employee payroll	11.85%	11.77%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

Supplementary Information

HAWTHORNE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Passed through the California Department of Education (CDE)				
No Child Left Behind				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 3,433,592	$ 19,269
Title I, Even Start Family Literacy	84.213	14331	38,656	-
Title I, Part G, Advance Placement Test Fee Reimbursement Program	84.330	14831	8,651	-
Title II, Part A, Teacher Quality	84.367	14341	237,177	11,425
Title III, Limited English Proficiency	84.365	14346	321,650	-
Individuals With Disabilities Education Act (IDEA)				
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,029,461	-
Preschool Grants, Part B, Sec 619	84.173	13430	134,074	-
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	274,240	-
Preschool Staff Development	84.173A	13431	642	-
Total Special Education Cluster			1,438,417	-
Total U.S. Department of Education			5,478,143	30,694
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the California Department of Health Services				
Medi-Caid Cluster:				
Medi-Cal Billing Option	93.778	10013	376,753	-
U.S. DEPARTMENT OF AGRICULTURE				
Passed through California Department of Education (CDE)				
Child Nutrition Cluster:				
Especially Needy Breakfast	10.553	13526	2,406,026	-
National School Lunch Program	10.555	13524	3,550,560	-
Meal Supplements	10.555	13396	145,123	-
Food Distribution	10.555	13524	416,178	-
Total Child Nutrition Cluster			6,517,887	-
Total U.S. Department of Agriculture			6,517,887	-
Total Federal Expenditures			$ 12,372,783	$ 30,694

See accompanying note to supplementary information.

HAWTHORNE SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

ORGANIZATION

The Hawthorne School District was established 1908, and consists of an area comprising approximately nine square miles. The District operates seven elementary schools, three middle schools, and one charter school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mr. Alexandre Monteiro	President	2019
Mr. Luciano Aguilar	Vice President	2017
Mr. Sergio R. Mortara	Clerk	2017
Mrs. Cristina Chiappe	Member	2019
Dr. Eugene M. Krank	Member	2017

ADMINISTRATION

Dr. Helen E. Morgan	Superintendent
Dr. Brian Markarian	Associate Superintendent, Educational Services
Ms. Shelley Rose	Assistant Superintendent, Human Resources
Mrs. Ambur Borth	Chief Business Official

See accompanying note to supplementary information.

HAWTHORNE SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,594.75	3,597.13
Fourth through sixth	2,543.16	2,539.51
Seventh and eighth	1,649.11	1,649.62
Total Regular ADA	7,787.02	7,786.26
Extended Year Special Education		
Transitional kindergarten through third	2.26	2.26
Fourth through sixth	1.17	1.17
Seventh and eighth	0.94	0.94
Total Extended Year Special Education	4.37	4.37
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.32	1.78
Fourth through sixth	2.47	2.48
Seventh and eighth	1.10	1.56
Total Special Education, Nonpublic, Nonsectarian Schools	4.89	5.82
Total ADA	7,796.28	7,796.45

See accompanying note to supplementary information.

HAWTHORNE SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE, Continued
FOR THE YEAR ENDED JUNE 30, 2016

Hawthorne Mathematics, Science and Technology Charter School

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	548.40	546.38
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.39	0.39
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.39	0.39
Total Regular ADA	548.79	546.77
Classroom based ADA		
Ninth through twelfth	547.71	545.62
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.39	0.39
Total Special Education, Nonpublic, Nonsectarian Schools	0.39	0.39
Total Classroom Based ADA	548.10	546.01

See accompanying note to supplementary information.

HAWTHORNE SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	53,420	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,320	180	N/A	Complied
Grade 2		52,320	180	N/A	Complied
Grade 3		52,320	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		56,070	180	N/A	Complied
Grade 5		56,070	180	N/A	Complied
Grade 6		59,890	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,890	180	N/A	Complied
Grade 8		59,890	180	N/A	Complied

Hawthorne Mathematics, Science and Technology Charter School

Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 9 - 12	64,800				
Grade 9		65,405	180	N/A	Complied
Grade 10		65,405	180	N/A	Complied
Grade 11		65,405	180	N/A	Complied
Grade 12		65,405	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

HAWTHORNE SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

	(Budget) 2017 [1]	2016	2015	2014
GENERAL FUND [5]				
Revenues	$ 93,710,555	$ 94,734,869	$ 78,283,492	$ 72,156,734
Other sources and transfers in	-	1,709,286	1,103	-
Total Revenues and Other Sources	93,710,555	96,444,155	78,284,595	72,156,734
Expenditures	93,355,855	91,233,898	79,196,558	68,891,848
Other uses and transfers out	1,329,431	5,696,885	2,771,460	1,979,516
Total Expenditures and Other Uses	94,685,286	96,930,783	81,968,018	70,871,364
INCREASE (DECREASE) IN FUND BALANCE	$ (974,731)	$ (486,628)	$ (3,683,423)	$ 1,285,370
ENDING FUND BALANCE	$ 8,482,734	$ 9,457,465	$ 9,944,093	$ 13,627,516
AVAILABLE RESERVES [2]	$ 2,840,559	$ 2,907,924	$ 2,406,399	$ 2,812,996
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	3.0%	3.1%	3.1%	4.2%
LONG-TERM OBLIGATIONS	N/A	$ 78,834,363	$ 78,437,626	$ 78,418,200
AVERAGE DAILY ATTENDANCE AT P-2 [4]	7,841	7,796	7,885	8,028

The General Fund balance has decreased by $4,169,391 over the past two years. The fiscal year 2016-2017 budget projects a further decrease of $974,731 (10.31 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased by $416,163 over the past two years.

Average daily attendance has decreased by 232 over the past two years. Additional growth of 45 ADA is anticipated during fiscal year 2016-2017.

[1] Budget 2017 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund and Special Reserve Fund.

[3] On behalf payments of $2,454,286, $1,651,652, and $1,791,830, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2016, 2015201520152015, and 2014, respectively.

[4] Excludes Charter School ADA.

[5] General Fund amounts do not include activity related to the consolidation of the Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

HAWTHORNE SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016

Name of Charter School	Included in Audit Report
Hawthorne Mathematics, Science and Technology	Yes

See accompanying note to supplementary information.

HAWTHORNE SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Cafeteria Fund	Deferred Maintenance Fund	Charter School Fund	Foundation Permanent Fund
ASSETS				
Deposits and investments	$ 1,471,372	$ 896,091	$ 1,558,501	$ 168,736
Receivables	1,370,351	(89)	184,817	530
Stores inventories	82,395	-	-	-
Total Assets	$ 2,924,118	$ 896,002	$ 1,743,318	$ 169,266
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 209,978	$ 871,691	$ 425,821	$ 98
Unearned revenue	15,872	-	-	-
Total Liabilities	225,850	871,691	425,821	98
Fund Balances:				
Nonspendable	82,995	-	-	-
Restricted	2,603,701	-	145,309	-
Assigned	11,572	24,311	1,172,188	169,168
Total Fund Balances	2,698,268	24,311	1,317,497	169,168
Total Liabilities and Fund Balances	$ 2,924,118	$ 896,002	$ 1,743,318	$ 169,266

See accompanying note to supplementary information.

Building Fund		Capital Facilities Fund		County School Facilities Fund		Total Non-Major Governmental Funds	
$	263,425	$	377,605	$	3,102	$	4,738,832
	731		1,670		4,298		1,562,308
	-		-		-		82,395
$	264,156	$	379,275	$	7,400	$	6,383,535
$	2,415	$	35,451	$	-	$	1,545,454
	-		-		-		15,872
	2,415		35,451		-		1,561,326
	-		-		-		82,995
	231,249		-		-		2,980,259
	30,492		343,824		7,400		1,758,955
	261,741		343,824		7,400		4,822,209
$	264,156	$	379,275	$	7,400	$	6,383,535

HAWTHORNE SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	Cafeteria Fund	Deferred Maintenance Fund	Charter School Fund	Foundation Permanent Fund	Building Fund
REVENUES					
Local Control Funding Formula	$ -	$ -	$ 5,526,536	$ -	$ -
Federal sources	6,517,887	-	-	-	-
Other State sources	530,519	-	460,522	-	-
Other local sources	317,844	63	3,369	1,329	3,657
Total Revenues	7,366,250	63	5,990,427	1,329	3,657
EXPENDITURES					
Current					
Instruction	-	-	2,879,441	-	-
Instruction-related activities:					
Supervision of instruction	-	-	25,557	-	-
School site administration	-	-	486,498	-	-
Pupil services:					
Food services	7,251,862	-	-	-	-
All other pupil services	-	-	248,566	-	-
General administration:					
All other general administration	168,903	-	3,958	-	-
Plant services	9,498	-	1,380,282	-	-
Facility acquisition and construction	-	987,600	88,850	-	633,496
Ancillary services	-	-	29,632	818	-
Enterprise services	13,538	-	-	-	-
Total Expenditures	7,443,801	987,600	5,142,784	818	633,496
Excess (Deficiency) of Revenues Over Expenditures	(77,551)	(987,537)	847,643	511	(629,839)
Other Financing Sources (Uses)					
Transfers in	-	987,599	-	-	-
Transfers out	-	-	-	-	-
Net Financing Sources (Uses)	-	987,599	-	-	-
NET CHANGE IN FUND BALANCES	(77,551)	62	847,643	511	(629,839)
Fund Balances - Beginning	2,775,819	24,249	469,854	168,657	891,580
Fund Balances - Ending	$ 2,698,268	$ 24,311	$ 1,317,497	$ 169,168	$ 261,741

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
$ -	$ -	$ 5,526,536
-	-	6,517,887
-	-	991,041
222,035	12,372	560,669
222,035	12,372	13,596,133
-	-	2,879,441
-	-	25,557
-	-	486,498
-	-	7,251,862
-	-	248,566
-	-	172,861
120,391	-	1,510,171
709,716	-	2,419,662
-	-	30,450
-	-	13,538
830,107	-	15,038,606
(608,072)	12,372	(1,442,473)
-	-	987,599
-	(1,709,286)	(1,709,286)
-	(1,709,286)	(721,687)
(608,072)	(1,696,914)	(2,164,160)
951,896	1,704,314	6,986,369
$ 343,824	$ 7,400	$ 4,822,209

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balance:		$ 12,341,347
Medi-Cal Billing Option	93.778	31,436
Total Schedule of Expenditures of Federal Awards		$ 12,372,783

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Hawthorne Unified School District
Hawthorne, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hawthorne Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Hawthorne Unified School District's basic financial statements, and have issued our report thereon dated November 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hawthorne Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hawthorne Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hawthorne Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Hawthorne Unified School District in a separate letter dated November 11, 2016.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 11, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Hawthorne Unified School District
Hawthorne, California

Report on Compliance for Each Major Federal Program

We have audited Hawthorne Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hawthorne Unified School District's (the District) major Federal programs for the year ended June 30, 2016. Hawthorne Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hawthorne Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Hawthorne Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Hawthorne Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Hawthorne Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Hawthorne Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hawthorne Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hawthorne Unified School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 11, 2016

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Hawthorne Unified School District
Hawthorne, California

Report on State Compliance

We have audited Hawthorne Unified School District's compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Hawthorne Unified School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Hawthorne Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Hawthorne Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Hawthorne Unified School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Hawthorne Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the Hawthorne Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

The District does not offer a Full Time Independent Study Program; therefore, we did not perform procedures related to the Full Time Independent Study Program.

The District does not offer a Continuation Program; therefore, we did not perform procedures related to the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The District does not have any non-classroom based Charter Schools; therefore, we did not perform any procedures for non-classroom based Charter School Programs.

Hawthorn Mathematics, Science and Technology did not receive funding related to the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 11, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HAWTHORNE SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants Low-Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

HAWTHORNE SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

HAWTHORNE SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

There were no audit findings reported in the prior year's schedule of financial statement findings.

Governing Board
Hawthorne School District
Hawthorne, California

In planning and performing our audit of the financial statements of Hawthorne School District, for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following item represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 11, 2016 on the government-wide financial statements of the District.

OBSERVATIONS AND RECOMMENDATIONS

Hawthorne Middle School/Prairie Vista Middle School – Bank Reconciliations

Observation

Bank reconciliations are not being performed correctly. The school sites are not reconciling to the book balance.

Recommendation

Monthly bank reconciliation's should match the ending book balance. The school site should start with the bank's ending cash balance, add any deposits in transit, subtract any checks that have not cleared the bank, and either add or deduct any other items. The ending number on the bank reconciliation should be the school sites ending cash balance. The school sites should complete the bank reconciliations accurately to ensure that the cash records are correct. If the bank reconciliations are not done accurately, the school site may find that cash balances are much lower than expected, resulting in bounced checks or overdraft fees.

District Response

The District will be implementing a centralized process to oversee the reconciliations are properly completed and on a monthly basis.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 11, 2016

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