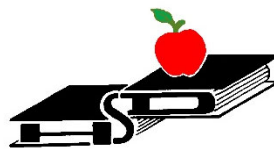




Financial Statements
June 30, 2022

Hawthorne School District



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Independent Auditor's Report

Governing Board
Hawthorne School District
Hawthorne, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawthorne School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and schedule of the District's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

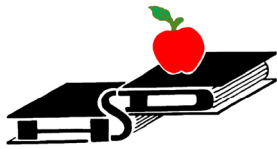
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are 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 December 3, 2022 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 3, 2022



Hawthorne School District

Educational Excellence

BOARD OF TRUSTEES

CRISTINA CHIAPPE
President

VICENTE BRAVO
Vice President

SERGIO R. MORTARA
Clerk

LUCIANO A. AGUILAR
Member

DR. EUGENE M. KRANK
Member

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, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

ADMINISTRATION

HELEN E. MORGAN, Ed.D.
Superintendent

BRIAN MARKARIAN, Ed.D.
Associate Superintendent
Human Resources

ERIKA AYALA, Ed.D.
Assistant Superintendent
Educational Services

MARA PAGNANO
Assistant Superintendent
Business Services

- We are pleased to report an operating surplus of \$17,275,566 decreased the District's net position deficit, from \$(26,469,798), in the 2020-2021 school year to \$(9,194,232) in the 2021-2022 school year.
- In accordance with our overall targeted projections, the Local Control Funding Formula increased revenues by approximately \$6.6 million over the previous fiscal year.
- Declining enrollment combined with demographic changes to our unduplicated pupil count (UPP), continue to impact the District.
- The District has continued to expand its Special Education program to serve an increased percentage of its special needs population within the District.
- The District continued its efforts to adjust and align staffing with the reduced enrollment trend, adding staff in key areas that are necessary to meet the evolving post-pandemic educational needs.
- The District successfully issued a Bond in 2018 and received its first issuance in the amount of \$35 million, in 2019. We continue to deploy the proceeds with projects that align with Bond language, including HVAC unit replacements and upgrades, window replacements, new flooring throughout school sites, asphalt and concrete. The District is also painting all school sites, having completed the following schools: York, Ramona, Washington, HMS and Eucalyptus.

Basic Fiscal Values

The District is a public educational organization based on the fundamental 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 strive to provide a safe, caring, courteous, professional environment, and a climate that fosters collaborative work with individual development for our employees. We hold each other and ourselves accountable for the highest level of performance, efficiency, resource management, and professionalism.

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 presentation and workshops with staff, labor organizations, our community, and the Governing 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 maintain the legally required reserve level.

Basic Fiscal Mission

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

- The District strives to provide 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 a significant impact on the financial stability of the District. The District K-8 ADA has been declining since 2013-2014, even as the community continues to undergo residential development. The declining trend continues based on early enrollment figures for the 2022-2023 school year. Therefore, the District carefully tracks enrollment and has projected no growth in ADA for the foreseeable future and anticipates ongoing declines through 2030.

Solvency

The District must maintain a three percent Reserve for Economic Uncertainties. In 2021-2022, we met our goal of a three percent Reserve for Economic Uncertainties.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the 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. They present the government activities of the District. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. 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 the following:

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

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 governing 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 the governmental fund financial statements.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$(9,194,232) for the fiscal year ended June 30, 2022. Of this amount, \$(116,010,147) 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	
	2022	2021
Assets		
Current and other assets	\$ 88,084,279	\$ 82,624,033
Capital assets	156,117,433	148,125,599
Total assets	244,201,712	230,749,632
Deferred outflows of resources	23,693,106	25,969,333
Liabilities		
Current liabilities	14,799,308	9,410,987
Long-term liabilities	206,631,241	259,709,671
Total liabilities	221,430,549	269,120,658
Deferred inflows of resources	55,658,501	14,068,105
Net Position		
Net investment in capital assets	82,277,651	78,411,197
Restricted	24,538,264	17,508,901
Unrestricted deficit	(116,010,147)	(122,389,896)
Total net position (deficit)	\$ (9,194,232)	\$ (26,469,798)

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	
	2022	2021
Revenues		
Program revenues		
Charges for services and sales	\$ 117,996	\$ 23,599
Operating grants and contributions	34,754,854	43,761,646
General revenues		
Federal and State aid not restricted	81,823,121	74,713,868
Property taxes	20,775,624	21,397,309
Other general revenues	6,656,911	5,450,005
Total revenues	<u>144,128,506</u>	<u>145,346,427</u>
Expenses		
Instruction-related	83,421,804	99,024,899
Pupil services	15,743,744	13,860,291
Administration	6,744,534	5,967,407
Plant services	12,774,924	13,984,445
All other services	8,167,934	6,458,341
Total expenses	<u>126,852,940</u>	<u>139,295,383</u>
Change in net position	<u>\$ 17,275,566</u>	<u>\$ 6,051,044</u>

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$126,852,940. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$20,775,624.

In Table 3, we have presented the cost of each of the District's largest functions including instruction-related activities, pupil services, administration, plant services, and all other services, 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 of Services	
	2022	2021	2022	2021
Instruction-related	\$ 83,421,804	\$ 99,024,899	\$ (61,929,515)	\$ (66,070,928)
Pupil services	15,743,744	13,860,291	(6,289,415)	(4,882,022)
Administration	6,744,534	5,967,407	(5,467,849)	(5,322,017)
Plant services	12,774,924	13,984,445	(12,592,495)	(13,741,388)
All other services	8,167,934	6,458,341	(5,700,816)	(5,493,783)
Total	<u>\$ 126,852,940</u>	<u>\$ 139,295,383</u>	<u>\$ (91,980,090)</u>	<u>\$ (95,510,138)</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$73,836,298, which is a decrease of \$190,504 from last year.

Governmental Fund	Balances and Activity			
	June 30, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General	\$ 42,152,766	\$ 127,468,470	\$ 120,597,844	\$ 49,023,392
Building	14,812,335	(221,641)	6,836,547	7,754,147
Student Activity Fund	180,866	113,863	97,500	197,229
Charter Schools	4,135,147	8,108,541	7,494,668	4,749,020
Child Development	51,999	1,596,985	1,605,740	43,244
Cafeteria	4,297,719	6,741,193	6,918,130	4,120,782
Deferred Maintenance	2,034,799	244,085	44,464	2,234,420
Capital Facilities	1,000,930	43,907	-	1,044,837
County School Facilities	7,882	(236)	-	7,646
Special Reserve Fund for Other Than Capital Outlay Projects	1,307	(40)	-	1,267
Bond Interest and Redemption	5,174,150	5,885,766	6,570,368	4,489,548
Foundation Permanent	176,902	(5,262)	874	170,766
Total	<u>\$ 74,026,802</u>	<u>\$ 149,975,631</u>	<u>\$ 150,166,135</u>	<u>\$ 73,836,298</u>

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 Governing Board. Changes were made to reflect the continual updating of educational priorities. The required major budget revisions are as follows:

- First interim
- Second interim
- Year-end revisions

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the District had \$156,117,433 in a broad range of capital assets, including land, buildings, furniture and equipment and right-to-use leased assets (net of depreciation and amortization). This amount represents a net increase of \$7,991,834. Depreciation and amortization expense for the year ended June 30, 2022, was \$4,168,529.

Table 4

	Governmental Activities	
	2022	2021
Land and construction in progress	\$ 22,856,646	\$ 19,806,409
Buildings and improvements	130,311,787	127,524,131
Furniture and equipment	2,614,721	795,059
Leased assets	334,279	-
Total	<u>\$ 156,117,433</u>	<u>\$ 148,125,599</u>

We present more detailed information regarding our capital assets in Note 4 of the financial statements.

Long-Term Liabilities other than OPEB and Pensions

At the end of this year, the District had \$106,030,452 in outstanding debt versus \$109,736,502 from the prior year, a decrease of \$3,706,050. Those debts consisted of:

Table 5

	Governmental Activities	
	2022	2021
Long-Term Liabilities		
General obligation bonds	\$ 91,881,991	\$ 94,011,302
Premium on issuance	2,050,051	2,167,608
Certificates of participation	10,450,000	10,665,000
Premium on issuance	706,732	733,914
Lease liability	329,625	-
Supplemental employee retirement plan (SERP)	-	793,236
Compensated absences	612,053	1,365,442
	<u>612,053</u>	<u>1,365,442</u>
Total	<u>\$ 106,030,452</u>	<u>\$ 109,736,502</u>

The District's general obligation bond rating continues to be "AA". 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 liabilities in Note 9 of the financial statements.

OPEB and Pension Liability

At year-end, the District has an aggregate net OPEB liability of \$43,038,379 versus \$45,373,275 from the prior year, an increase of \$2,334,896.

At year-end, the District has an aggregate net pension liability of \$57,562,410 versus \$104,599,894 from the prior year, an increase of \$47,037,484.

We present more detailed information regarding our OPEB and Pension liabilities in Note 10 and Note 13.

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 high cost of PERS and STRS.
- The ongoing increase of health benefit costs.
- The unpredictable cost of Special Education services and programs.
- The declining enrollment trend the District continues to experience.
- Persisting and growing inflation.

ECONOMIC FACTORS AND NEXT YEAR BUDGETS AND RATES

In considering the District Budget for the 2022-2023 year, the Governing 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. LCFF reached full implementation in 2018-2019. Starting with 2019-2020 future revenue increases are based purely on state COLA (cost of living adjustment), which is currently projected to be 6.56% in 2022-2023, the state also provided an additional investment of 6.70% bringing the total funded COLA to 13.26% for 2022-2023. For 2023-2024 and 2024-2025 the COLA is estimated at 2.58% and 2.20% respectively for the two projection years.

Known economic factors:

1. The District calculation for LCFF was based on 6,675.27 average daily attendance (ADA) funded at approximately \$13,281.22 per ADA.
2. The State continues to provide funding for Class Size Reduction, this funding is 10.4% of the base grant or approximately \$953 per ADA for pupils in grades K-3.
3. Sources of one-time and short-term funding streams have clear termination dates.

Expenditures are based on the following forecasts and directives:

1. Step and column enhancement
2. No furlough days
3. A ten percent increase in health and welfare cost.

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 Assistant Superintendent, Business Services, at Hawthorne School District, Hawthorne, California, or e-mail at mpagniano@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, 2022

	Governmental Activities
Assets	
Deposits and investments	\$ 78,240,457
Receivables	9,256,592
Stores inventories	235,312
Other current assets	7,668
Lease receivable	344,250
Capital assets not depreciated	22,856,646
Capital assets, net of accumulated depreciation	132,926,508
Right-to-use leased assets, net of accumulated amortization	<u>334,279</u>
Total assets	<u>244,201,712</u>
Deferred Outflows of Resources	
Deferred charge on refunding	28,408
Deferred outflows of resources related to OPEB	2,055,235
Deferred outflows of resources related to pensions	<u>21,609,463</u>
Total deferred outflows of resources	<u>23,693,106</u>
Liabilities	
Accounts payable	10,340,289
Interest payable	895,577
Unearned revenue	3,563,442
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	3,932,753
Long-term liabilities other than OPEB and pensions due in more than one year	102,097,699
Aggregate net OPEB liabilities	43,038,379
Aggregate net pension liabilities	<u>57,562,410</u>
Total liabilities	<u>221,430,549</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	10,149,891
Deferred inflows of resources related to pensions	45,164,360
Deferred inflows of resources related to leases	<u>344,250</u>
Total deferred inflows of resources	<u>55,658,501</u>
Net Position	
Net investment in capital assets	82,277,651
Restricted for	
Debt service	3,593,971
Capital projects	1,044,837
Educational programs	12,784,082
Other restrictions	7,115,374
Unrestricted deficit	<u>(116,010,147)</u>
Total net position (deficit)	<u>\$ (9,194,232)</u>

Hawthorne School District
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 70,378,549	\$ 413	\$ 18,874,359	\$ (51,503,777)
Instruction-related activities				
Supervision of instruction	3,888,561	-	1,443,373	(2,445,188)
Instructional library, media, and technology	1,161,775	-	262,239	(899,536)
School site administration	7,992,919	-	911,905	(7,081,014)
Pupil services				
Home-to-school transportation	1,471,111	-	-	(1,471,111)
Food services	6,639,969	3,927	6,507,660	(128,382)
All other pupil services	7,632,664	-	2,942,742	(4,689,922)
Administration				
Data processing	1,485,304	-	51,540	(1,433,764)
All other administration	5,259,230	132	1,225,013	(4,034,085)
Plant services	12,774,924	176	182,253	(12,592,495)
Ancillary services	187,735	113,348	1,110	(73,277)
Community services	1,444,094	-	1,443,643	(451)
Enterprise services	7,961	-	-	(7,961)
Interest on long-term liabilities	4,746,833	-	-	(4,746,833)
Other outgo	1,781,311	-	909,017	(872,294)
Total governmental activities	<u>\$ 126,852,940</u>	<u>\$ 117,996</u>	<u>\$ 34,754,854</u>	<u>(91,980,090)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				12,531,337
Property taxes, levied for debt service				6,056,062
Taxes levied for other specific purposes				2,188,225
Federal and State aid not restricted to specific purposes				81,823,121
Interest and investment loss				(2,241,495)
Miscellaneous				<u>8,898,406</u>
Subtotal, general revenues and subventions				<u>109,255,656</u>
Change in Net Position				17,275,566
Net Position (Deficit) - Beginning				<u>(26,469,798)</u>
Net Position (Deficit) - Ending				<u>\$ (9,194,232)</u>

Hawthorne School District
Balance Sheet - Governmental Funds
June 30, 2022

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 53,343,109	\$ 8,727,674	\$ 16,169,674	\$ 78,240,457
Receivables	7,426,898	27,225	1,802,469	9,256,592
Due from other funds	-	-	1,094,014	1,094,014
Stores inventories	168,273	-	67,039	235,312
Other current assets	7,668	-	-	7,668
Lease receivable	344,250	-	-	344,250
Total assets	\$ 61,290,198	\$ 8,754,899	\$ 19,133,196	\$ 89,178,293
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 7,595,085	\$ 1,000,752	\$ 1,744,452	\$ 10,340,289
Due to other funds	1,094,014	-	-	1,094,014
Unearned revenue	3,233,457	-	329,985	3,563,442
Total liabilities	11,922,556	1,000,752	2,074,437	14,997,745
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	344,250	-	-	344,250
Fund Balances				
Nonspendable	174,273	-	67,839	242,112
Restricted	12,784,082	7,754,147	12,649,759	33,187,988
Assigned	32,455,984	-	4,341,161	36,797,145
Unassigned	3,609,053	-	-	3,609,053
Total fund balances	49,023,392	7,754,147	17,058,759	73,836,298
Total liabilities, deferred inflows of resources, and fund balances	\$ 61,290,198	\$ 8,754,899	\$ 19,133,196	\$ 89,178,293

Hawthorne School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds \$ 73,836,298

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	\$ 225,193,076	
Accumulated depreciation is	<u>(69,409,922)</u>	

Net capital assets		155,783,154
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Right-to-use leased assets used in governmental activities are not
financial resources and, therefore, are not reported as assets in
governmental funds.

The cost of right-to-use leased assets is	351,873	
Accumulated amortization is	<u>(17,594)</u>	

Net right-to-use leased assets		334,279
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In governmental funds, unmatured interest on long-term liabilities is
recognized in the period when it is due. On the government-wide
financial statements, unmatured interest on long-term liabilities is
recognized when it is incurred.

(895,577)

Deferred outflows of resources represent a consumption of net
position in a future period and is not reported in the governmental
funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred charge on refunding)	28,408	
Aggregate net other postemployment benefits (OPEB)	2,055,235	
Aggregate net pension liability	<u>21,609,463</u>	

Total deferred outflows of resources		23,693,106
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Deferred inflows of resources represent an acquisition of net position
that applies to a future period and is not reported in the governmental
funds. Deferred inflows of resources amount to and related to

Aggregate net other postemployment benefits (OPEB)	(10,149,891)	
Aggregate net pension liability	<u>(45,164,360)</u>	

Total deferred inflows of resources		(55,314,251)
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Hawthorne School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Aggregate net pension liabilities is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (57,562,410)
The District's aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(43,038,379)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	\$ (68,085,929)	
Certificates of participation	(10,450,000)	
Premium on issuance of general obligation bonds	(2,050,051)	
Premium on issuance of certificates of participation	(706,732)	
Lease liability	(329,625)	
Compensated absences (vacations)	(612,053)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(23,796,062)</u>	
Total long-term liabilities		<u>(106,030,452)</u>
Total net position - governmental activities		<u>\$ (9,194,232)</u>

Hawthorne School District

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

Year Ended June 30, 2022

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 85,549,456	\$ -	\$ 7,309,888	\$ 92,859,344
Federal sources	15,034,734	-	6,560,055	21,594,789
Other state sources	25,213,500	-	2,860,359	28,073,859
Other local sources	753,226	(221,641)	5,678,562	6,210,147
Total revenues	126,550,916	(221,641)	22,408,864	148,738,139
Expenditures				
Current				
Instruction	70,607,329	-	5,983,908	76,591,237
Instruction-related activities				
Supervision of instruction	4,000,380	-	91,355	4,091,735
Instructional library, media, and technology	1,074,812	-	114,935	1,189,747
School site administration	7,750,662	-	859,803	8,610,465
Pupil services				
Home-to-school transportation	1,432,533	-	-	1,432,533
Food services	-	-	6,682,798	6,682,798
All other pupil services	7,386,686	-	487,825	7,874,511
Administration				
Data processing	1,855,254	-	-	1,855,254
All other administration	5,131,956	-	517,009	5,648,965
Plant services	12,444,351	15,572	509,015	12,968,938
Ancillary services	532	-	191,287	191,819
Community services	1,443,643	-	-	1,443,643
Other outgo	1,781,311	-	-	1,781,311
Enterprise services	-	-	8,053	8,053
Facility acquisition and construction	4,777,955	6,820,975	149,707	11,748,637
Debt service				
Principal	237,248	-	4,685,000	4,922,248
Interest and other	353,254	-	1,885,368	2,238,622
Total expenditures	120,277,906	6,836,547	22,166,063	149,280,516
Excess (Deficiency) of Revenues over Expenditures	6,273,010	(7,058,188)	242,801	(542,377)
Other Financing Sources (Uses)				
Transfers in	565,681	-	319,938	885,619
Other sources - proceeds from issuance of leases	351,873	-	-	351,873
Transfers out	(319,938)	-	(565,681)	(885,619)
Net Financing Sources (Uses)	597,616	-	(245,743)	351,873
Net Change in Fund Balances	6,870,626	(7,058,188)	(2,942)	(190,504)
Fund Balance, Beginning	42,152,766	14,812,335	17,061,701	74,026,802
Fund Balance, Ending	\$ 49,023,392	\$ 7,754,147	\$ 17,058,759	\$ 73,836,298

Hawthorne School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds \$ (190,504)

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 and amortization expenses in the Statement of Activities.

This is the amount by which capital outlay exceeds depreciation and amortization expense in the period.

Capital outlays		\$ 12,160,363
Depreciation and amortization expense		<u>(4,168,529)</u>

Net expense adjustment		7,991,834
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (2,555,689)

The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position. (351,873)

In the Statement of Activities, certain operating expenses, such as 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 amount is the difference between vacation earned and used, and the early retirement benefits paid and issued. 1,546,625

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 aggregate net pension liabilities during the year. 7,899,125

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and aggregate net OPEB liability during the year. (2,033,678)

Hawthorne School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	\$ 144,739
Deferred charge on refunding amortization	(15,440)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	4,685,000
Certificates of participation	215,000
Lease liability	22,248

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(81,821)

Change in net position of governmental activities

\$ 17,275,566

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.

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 fund balance of \$26,039.

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.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used 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, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Charter Schools Fund** The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **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 revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).
- **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 to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **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 approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). 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 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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.).
- **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).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of principal and interest on general long-term liabilities.

- **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).

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 statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function. 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, except for depreciation and amortization of leased assets. 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 or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position 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 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 governmental 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 reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. 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 revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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. Principal and interest on long-term liabilities, 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.

Investments

Investments 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, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County Treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

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 funds when consumed rather than when purchased.

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 capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition 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.

The District records impairments of capital assets when it becomes probable that the carrying value of assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract.

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.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities 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 liabilities 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 governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Premiums

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

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 deferred charges on refunding of debt, for pension related items and for OPEB related items.

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 related to leases, for pension related items, and for OPEB related items.

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. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the aggregate net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Leases

The District recognizes a lease liability and an intangible right-to-use leased asset (lease asset) in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Fund Balances - Governmental Funds

As of June 30, 2022, 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.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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 (Deficit)

Net position (deficit) represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 report \$24,538,264 of net position restricted by enabling legislation.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Estimates

The preparation of 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, and those differences could be material.

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.

Parcel Tax

In November 2012 local voters passed Local Classrooms Funding Authority - Measure CL Parcel Tax to protect academic quality in local K-12 schools; maintain math, science, English programs; provide education for students with disabilities/special needs, support computer technology and school security, prepare students for college/careers, and retain excellent teachers. Local Classrooms Funding Authority levied a special tax of 2¢/square foot of lot for residential property, and 7.5¢/square foot for other property types, requiring citizens oversight, audits, senior exemptions and no money for administrator salaries. The District received \$1,483,714 in parcel tax receipts.

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of 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 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	<u><u>\$ 78,240,457</u></u>
--------------------	-----------------------------

Deposits and investments as of June 30, 2022 consisted of the following:

Cash on hand and in banks	\$ 211,951
Cash in revolving	6,800
Investments	<u>78,021,706</u>
Total deposits and investments	<u><u>\$ 78,240,457</u></u>

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 primarily investing in the Los Angeles County Treasury Investment Pool.

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	Reported Amount	Weighted Average Days to Maturity
Los Angeles County Treasury Investment Pool	\$ 78,021,706	933

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 Los Angeles County Treasury Investment Pool is not required to be rated, nor has been rated as of June 30, 2022.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of \$66,180 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 - Receivables

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 4,990,482	\$ -	\$ 1,642,438	\$ 6,632,920
State Government				
LCFF apportionment	313,711	-	-	313,711
Categorical aid	1,650,899	-	105,913	1,756,812
Lottery	138,449	-	21,212	159,661
Local Government				
Interest	90,713	27,225	18,666	136,604
Other local sources	242,644	-	14,240	256,884
	<u>\$ 7,426,898</u>	<u>\$ 27,225</u>	<u>\$ 1,802,469</u>	<u>\$ 9,256,592</u>
Total	<u>\$ 7,426,898</u>	<u>\$ 27,225</u>	<u>\$ 1,802,469</u>	<u>\$ 9,256,592</u>

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 19,806,409	\$ -	\$ -	\$ 19,806,409
Construction in progress	-	3,050,237	-	3,050,237
Total capital assets not being depreciated	19,806,409	3,050,237	-	22,856,646
Capital assets being depreciated				
Land improvements	2,407,454	91,691	-	2,499,145
Buildings and improvements	186,381,738	6,462,219	-	192,843,957
Furniture and equipment	4,788,985	2,204,343	-	6,993,328
Total capital assets being depreciated	193,578,177	8,758,253	-	202,336,430
Total capital assets	213,384,586	11,808,490	-	225,193,076
Accumulated depreciation				
Land improvements	(1,960,466)	(107,310)	-	(2,067,776)
Buildings and improvements	(59,304,595)	(3,658,944)	-	(62,963,539)
Furniture and equipment	(3,993,926)	(384,681)	-	(4,378,607)
Total accumulated depreciation	(65,258,987)	(4,150,935)	-	(69,409,922)
Net depreciable capital assets	128,319,190	4,607,318	-	132,926,508
Right-to-use leased assets being amortized				
Furniture and equipment	-	351,873	-	351,873
Accumulated amortization				
Furniture and equipment	-	(17,594)	-	(17,594)
Net right-to-be leased assets	-	334,279	-	334,279
Governmental activities capital and right-to-use leased assets, net	\$ 148,125,599	\$ 7,991,834	\$ -	\$ 156,117,433

Depreciation and amortization expenses were charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 2,477,978
Supervision of instruction	137,118
Instructional library, media, and technology	43,756
School site administration	273,776
Home-to-school transportation	67,130
Food services	231,309
All other pupil services	258,554
Data processing	50,014
All other administration	195,634
Plant services	433,260
	<u>433,260</u>
Total depreciation and amortization expenses governmental activities	<u>\$ 4,168,529</u>

Note 5 - Lease Receivables

The District has entered into a lease agreement with one lessee. The lease receivable is summarized below:

<u>Lease Receivable</u>	<u>Outstanding July 1, 2021</u>	<u>Addition</u>	<u>Deletion</u>	<u>Outstanding June 30, 2022</u>
LEAP Facility Lease	<u>\$ -</u>	<u>\$ 405,000</u>	<u>\$ (60,750)</u>	<u>\$ 344,250</u>

Los Angeles Education Partnership (LEAP) Facility lease

The District leases a portion of its facilities to the Los Angeles Education Partnership for purposes of student instruction. This lease is cancellable only prior to the commencement of the next school year, which the District believes the lessee will not exercise the cancellation option. The lease does not have a renewal option. During the fiscal year, the District recognized \$60,750 in lease revenue and \$8,537 in interest revenue related to these agreements. At June 30, 2022, the District recorded \$344,250 in lease receivables and deferred inflows of resources for these arrangements. The District used an interest rate of 3.25% based the prime borrowing rate at the commencement of the lease.

Note 6 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Transfer To	General Fund	Transfer From Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 565,681	\$ 565,681
Non-Major Governmental Funds	319,938	-	319,938
Total	<u>\$ 319,938</u>	<u>\$ 565,681</u>	<u>\$ 885,619</u>

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for Deferred Maintenance projects.

\$ 319,938

The Charter Schools Non-Major Governmental Fund transferred to the General Fund for Certificates of Participation costs.

565,681

Total

\$ 885,619

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds are as follows:

Due To	Due From General Fund
Non-Major Governmental Funds	<u>\$ 1,094,014</u>
The General Fund owes the Charter Schools Non-Major Governmental Fund for apportionment payments received.	<u>\$ 1,094,014</u>

Note 7 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 3,174,558	\$ -	\$ 323,174	\$ 3,497,732
State LCFF apportionment	-	-	823,944	823,944
Salaries and benefits	4,420,527	7,904	597,334	5,025,765
Construction payables	-	992,848	-	992,848
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 7,595,085</u>	<u>\$ 1,000,752</u>	<u>\$ 1,744,452</u>	<u>\$ 10,340,289</u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal categorical aid	\$ 108,255	\$ 46,219	\$ 154,474
State categorical aid	3,125,202	283,766	3,408,968
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 3,233,457</u>	<u>\$ 329,985</u>	<u>\$ 3,563,442</u>

Note 9 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 94,011,302	\$ 2,555,689	\$ (4,685,000)	\$ 91,881,991	\$ 3,635,000
Premium on issuance	2,167,608	-	(117,557)	2,050,051	-
Certificates of participation	10,665,000	-	(215,000)	10,450,000	230,000
Premium on issuance	733,914	-	(27,182)	706,732	-
Lease liability	-	351,873	(22,248)	329,625	67,753
Supplemental employee retirement plan (SERP)	793,236	-	(793,236)	-	-
Compensated absences	1,365,442	-	(753,389)	612,053	-
Total	<u>\$ 109,736,502</u>	<u>\$ 2,907,562</u>	<u>\$ (6,613,612)</u>	<u>\$ 106,030,452</u>	<u>\$ 3,932,753</u>

Payments on the General Obligation Bonds will be made by the Bond Interest and Redemption Fund with local revenues. Payments on the certificates of participation will be made by the General Fund. Payments on the lease liability will be made by the General Fund. The SERP will be paid by the General Fund. Compensated absences will be paid by the fund for which the employee worked.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
1998	2023	4.45 - 5.02%	\$ 5,997,115	\$ 1,917,797	\$ 87,492	\$ (1,010,000)	\$ 995,289
2002	2028	2.00 - 5.45%	3,504,844	5,830,244	336,678	(255,000)	5,911,922
2005	2024	2.05 - 4.61%	9,850,061	1,098,841	62,788	(360,000)	801,629
2005	2031	3.86 - 5.14%	5,108,625	4,544,721	219,358	(600,000)	4,164,079
2008	2049	2.36 - 6.15%	9,036,599	15,136,030	1,046,522	-	16,182,552
2009	2027	2.61 - 6.00%	6,665,001	1,809,065	152,609	(330,000)	1,631,674
2012	2043	2.00 - 5.35%	13,331,770	14,914,604	650,242	(525,000)	15,039,846
2015	2030	3.49%	5,465,000	5,335,000	-	(15,000)	5,320,000
2015	2022	2.63%	4,340,000	1,145,000	-	(1,145,000)	-
2019	2049	3.00 - 5.00%	35,000,000	34,270,000	-	(130,000)	34,140,000
2019	2035	2.00 - 4.00%	2,850,000	2,850,000	-	(40,000)	2,810,000
2019	2035	2.00 - 4.00%	5,495,000	5,160,000	-	(275,000)	4,885,000
				<u>\$ 94,011,302</u>	<u>\$ 2,555,689</u>	<u>\$ (4,685,000)</u>	<u>\$ 91,881,991</u>

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 were used for the purpose of construction and renovating school facilities throughout the District and to pay costs related to financing. The remaining bonds mature through November 2022, and interest rates ranging from 4.45% to 5.02%. At June 30, 2022, the principal balance outstanding was \$995,289.

The bonds mature through 2023 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total</u>
2023	\$ 995,289	\$ 24,711	\$ 1,020,000

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 were 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 interest rates ranging from 2.00% to 5.45%. At June 30, 2022, the principal balance outstanding was \$5,911,922.

Debt Service Requirements to Maturity

The bonds mature through 2028 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total</u>
2023	\$ 269,815	\$ 5,185	\$ 275,000
2024	1,217,953	97,047	1,315,000
2025	1,171,415	168,585	1,340,000
2026	1,126,052	238,948	1,365,000
2027	1,085,756	309,244	1,395,000
2028	1,040,931	379,069	1,420,000
Total	\$ 5,911,922	\$ 1,198,078	\$ 7,110,000

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 were used for the purpose of the construction, equipping, furnishing, and improvement of certain school facilities within the District. The remaining bonds mature through August 2023, and interest rates ranging from 2.05% to 4.61%. At June 30, 2022, the principal balance outstanding was \$801,629.

The bonds mature through 2024 as follows:

Fiscal Year	Principal	Accreted Interest	Total
2023	\$ 397,435	\$ 2,565	\$ 400,000
2024	404,194	35,806	440,000
Total	<u>\$ 801,629</u>	<u>\$ 38,371</u>	<u>\$ 840,000</u>

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 were 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 interest rates ranging from 3.86% to 5.14%. At June 30, 2022, the principal balance outstanding was \$4,164,079.

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Accreted Interest	Total
2023	\$ 597,442	\$ 2,558	\$ 600,000
2024	571,693	33,307	605,000
2025	546,597	63,403	610,000
2026	309,898	55,102	365,000
2027	293,527	71,473	365,000
2028-2031	<u>1,844,922</u>	<u>885,078</u>	<u>2,730,000</u>
Total	<u>\$ 4,164,079</u>	<u>\$ 1,110,921</u>	<u>\$ 5,275,000</u>

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 were used for the purpose of the construction, equipping, furnishing, and improvement of certain school facilities within the District. In August 2019, the District issued the 2019 General Obligation refunding bonds, which refunded the outstanding current interest bonds in the Election 2004, Series C general obligation bonds. The remaining bonds mature through August 2048, and interest rates ranging from 2.36% to 6.15%. At June 30, 2022, the principal balance outstanding was \$16,182,552.

The bonds mature through 2049 as follows:

Fiscal Year	Principal	Accreted Interest	Total
2023	\$ -	\$ -	\$ -
2024	-	-	-
2025	212,962	72,038	285,000
2026	192,858	97,142	290,000
2027	174,603	120,397	295,000
2028-2032	1,197,744	2,002,256	3,200,000
2033-2037	5,008,896	5,789,269	10,798,165
2038-2042	4,352,537	8,169,333	12,521,870
2043-2047	3,712,424	10,793,530	14,505,954
2048-2049	1,330,528	5,096,677	6,427,205
Total	<u>\$ 16,182,552</u>	<u>\$ 32,140,642</u>	<u>\$ 48,323,194</u>

Election 2008, Series A General Obligation Bonds

In September 2009, the District issued \$6,665,001 accreting to \$9,645,000 in Election 2008, 2009 Series A General Obligation Bonds. Proceeds from the bonds were used for the purpose of the construction, equipping, furnishing, and improvement of certain capital facilities of the District. In August 2019, the District issued the 2019 General Obligation refunding bonds, which refunded the outstanding current interest bonds in the Election 2004, Series C general obligation bonds. The remaining bonds mature through August 2026, and interest rates ranging from 2.61% to 6.00%. At June 30, 2022, the principal balance outstanding was \$1,631,674.

The bonds mature through 2027 as follows:

Fiscal Year	Principal	Accreted Interest	Total
2023	\$ 351,651	\$ 3,349	\$ 355,000
2024	321,782	43,218	365,000
2025	302,077	82,923	385,000
2026	322,297	82,703	405,000
2027	333,867	91,133	425,000
Total	<u>\$ 1,631,674</u>	<u>\$ 303,326</u>	<u>\$ 1,935,000</u>

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 were 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 interest rates ranging from 2.00% to 5.35%. At June 30, 2022, the principal balance outstanding was \$15,039,846. Unamortized premium received on issuance of the bonds amount to \$198,561 as of June 30, 2022.

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Accreted Interest	Current Interest to Maturity	Total
2023	\$ 555,000	\$ -	\$ 314,981	\$ 869,981
2024	110,000	-	551,479	661,479
2025	140,000	-	547,724	687,724
2026	170,000	-	542,774	712,774
2027	205,000	-	536,552	741,552
2028-2032	605,000	-	3,680,875	4,285,875
2033-2037	190,000	-	3,505,891	3,695,891
2038-2042	3,414,077	1,045,923	1,833,441	6,293,441
2043	9,650,769	39,231	59,800	9,749,800
Total	<u>\$ 15,039,846</u>	<u>\$ 1,085,154</u>	<u>\$ 11,573,517</u>	<u>\$ 27,698,517</u>

Election 2004 Refunding, 2015 Series A General Obligation Refunding Bonds

In May 2015, the District issued \$5,465,000 in Election 2004, 2015 Series A General Obligation Refunding Bonds. Proceeds from the bonds were 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 an interest rate of 3.49%. At June 30, 2022, the principal balance outstanding was \$5,320,000.

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2023	\$ 15,000	\$ 185,581	\$ 200,581
2024	255,000	185,057	440,057
2025	650,000	171,882	821,882
2026	845,000	146,493	991,493
2027	920,000	116,392	1,036,392
2028-2030	2,635,000	141,520	2,776,520
Total	<u>\$ 5,320,000</u>	<u>\$ 946,925</u>	<u>\$ 6,266,925</u>

Election 1997 Refunding, 2015 Series B General Obligation Refunding Bonds

In August 2015, the District issued \$4,340,000 in Election 1997, 2015 Series B General Obligation Refunding Bonds. Proceeds from the Bonds were used to fund a portion of the District's outstanding General Obligation Bonds, Election 1997, 2005 Series E. The Bonds mature May 1, 2022 and an interest rate of 2.63%. At June 30, 2022, the bonds were paid in full.

Election 2018, Series A General Obligation Bonds

In February 2019, the District issued \$35,000,000 in Election 2018, 2019 Series A General Obligation Bonds. Proceeds from the Bonds were used for the purpose to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. The remaining bonds mature through August 2048 and interest rates ranging from 3.00% to 5.00%. At June 30, 2022, the principal balance outstanding was \$34,140,000. Unamortized premium received on issuance of the bonds amount to \$1,065,928 as of June 30, 2022.

The bonds mature through 2049 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2023	\$ 10,000	\$ 1,325,150	\$ 1,335,150
2024	10,000	1,324,650	1,334,650
2025	65,000	1,322,775	1,387,775
2026	125,000	1,318,025	1,443,025
2027	190,000	1,310,150	1,500,150
2028-2032	2,110,000	6,306,250	8,416,250
2033-2037	4,615,000	5,593,834	10,208,834
2038-2042	7,965,000	4,414,362	12,379,362
2043-2047	12,440,000	2,563,358	15,003,358
2048-2049	6,610,000	250,277	6,860,277
Total	<u>\$ 34,140,000</u>	<u>\$ 25,728,831</u>	<u>\$ 59,868,831</u>

Election 2018, Series B General Obligation Bonds

In August 2019, the District issued \$2,850,000 in Election 2018, 2019 Series B General Obligation Bonds. Proceeds from the Bonds were used for the purpose of defeasing the remaining balance outstanding on the 2007 Certificate of Participation (COP) and to pay the costs of issuance of the Bonds. The remaining bonds mature through August 2034 and interest ranging from 2.00% to 4.00%. At June 30, 2022, the principal balance outstanding was \$2,810,000. Unamortized premium received on issuance of the bonds amount to \$280,893 as of June 30, 2022.

The bonds mature through 2035 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2023	\$ 120,000	\$ 90,825	\$ 210,825
2024	145,000	85,525	230,525
2025	155,000	79,525	234,525
2026	175,000	72,925	247,925
2027	185,000	65,725	250,725
2028-2032	1,145,000	206,800	1,351,800
2033-2035	885,000	30,487	915,487
Total	<u>\$ 2,810,000</u>	<u>\$ 631,812</u>	<u>\$ 3,441,812</u>

2019 General Obligation Refunding Bonds

In August 2019, the District issued \$5,495,000 in 2019 General Obligation Refunding Bonds. Proceeds from the bonds were used to refund a portion of the District's General Obligation Bonds, Election 2004, Series C and Election 2008, Series A. The remaining bonds mature through August 2034, and interest rates ranging from 2.00% to 4.00%. At June 30, 2022, the principal balance outstanding was \$4,885,000 and deferred charges on refunding was \$28,408. Unamortized premium received on issuance of the bonds amount to \$504,669 as of June 30, 2022.

The bonds mature through 2035 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2023	\$ 285,000	\$ 155,350	\$ 440,350
2024	305,000	143,550	448,550
2025	50,000	136,450	186,450
2026	50,000	134,450	184,450
2027	50,000	132,450	182,450
2028-2032	2,330,000	440,525	2,770,525
2033-2035	1,815,000	62,700	1,877,700
Total	<u>\$ 4,885,000</u>	<u>\$ 1,205,475</u>	<u>\$ 6,090,475</u>

Certificates of Participation

On August 7, 2019, the District and the Public Property Financing Corporation of California (the Corporation) issued Certificates of Participation in the amount of \$10,870,000 with interest rates ranging from 2.000% to 5.000%. Proceeds from the Certificates were used to pay off the District's 2018 Bond Anticipation Notes. At June 30, 2022, the principal balance outstanding was \$10,450,000. Unamortized premium received on issuance of the certificates of participation amount to \$706,732 as of June 30, 2022.

The certificates mature through 2049 as follows:

Year Ending June 30,	Principal	Current Interest	Total
2023	\$ 230,000	\$ 339,556	\$ 569,556
2024	240,000	327,806	567,806
2025	250,000	315,556	565,556
2026	265,000	302,681	567,681
2027	280,000	289,056	569,056
2028-2032	1,600,000	1,230,781	2,830,781
2033-2037	1,860,000	975,422	2,835,422
2038-2042	2,145,000	689,750	2,834,750
2043-2047	2,480,000	352,813	2,832,813
2048-2049	1,100,000	33,300	1,133,300
Total	<u>\$ 10,450,000</u>	<u>\$ 4,856,721</u>	<u>\$ 15,306,721</u>

Lease Liability

The District has entered into agreements to lease various facilities and equipment. The District's liability on lease agreements is summarized below:

Lease	Leases Outstanding July 1, 2021	Addition	Payment	Leases Outstanding June 30, 2022
Copier lease	<u>\$ -</u>	<u>\$ 351,873</u>	<u>\$ (22,248)</u>	<u>\$ 329,625</u>

Copier Lease

The District entered an agreement to lease copiers for five years, beginning March 14, 2022, with no successive term. Under the terms of the lease, the District paid the monthly payments of \$6,206, which amounted to total principal and interest costs of \$24,824. The annual interest rate charged on the lease is 2.25%. At June 30, 2022, the District has recognized a right-to-use leased asset of \$334,279 and a lease liability of \$329,625 related to this agreement. During the fiscal year, the District recorded \$17,594 in amortization expense and \$2,577 in interest expense for the right to use of the copiers. There are no variable costs associated with this lease.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 67,753	\$ 6,721	\$ 74,474
2024	69,293	5,180	74,473
2025	70,868	3,605	74,473
2026	72,479	1,994	74,473
2027	49,232	416	49,648
Total	<u>\$ 329,625</u>	<u>\$ 17,916</u>	<u>\$ 347,541</u>

Supplemental Employee Retirement Plan (SERP)

The District offered a retirement incentive to qualified employees to be administered through Keenan & Associates. The District purchased qualified 403(b) annuity contracts from United of Omaha Life Insurance Company payable in annual installments as shown below. Eligibility requirements are that the classified employee attain age 50 with at least five years of service with the District, or for the certified employee attain age 55 with at least five years of service with the District. 51 employees qualified and accepted the incentive. At June 30, 2022 the balance was paid in full.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$612,053.

Note 10 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 42,549,033	\$ 2,055,235	\$ 10,149,891	\$ 2,122,050
Medicare Premium Payment (MPP) Program	489,346	-	-	(88,372)
Total	<u>\$ 43,038,379</u>	<u>\$ 2,055,235</u>	<u>\$ 10,149,891</u>	<u>\$ 2,033,678</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Management of the Plan is vested in the District management.

Plan Membership

At June 30, 2022, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	43
Active employees	692
Total	735

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees. Benefits are provided through a third-party insurer, and the cost of benefits is covered by the Plan, however, the retiree must contribute \$25 per month for single party coverage. The retiree can elect for spousal coverage, however there is no District subsidy for spouses. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by management and the District's governing board. For the measurement period of June 30, 2022, the District paid \$600,445 in benefits. Additionally, the District recognized a reduction in the total OPEB liability of \$585,530 associated with the implicit rate subsidy.

Total OPEB Liability of the District

The District's total OPEB liability of \$42,549,033 was measured as of June 30, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%
Discount rate	4.09%
Healthcare cost trend rates	7.00%

The discount rate was based on the Bond Buyer 20-year municipal bond yields.

The mortality rates were based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the CalSTRS and CalPERS valuations. CalSTRS mortality rates are from the 2020 experience study and the CalPERS mortality rates are from the 2021 experience study.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actual experience study for the period July 1, 2021 to June 30, 2022.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2021	\$ 44,795,557
Service cost	2,087,129
Interest	1,009,185
Changes of benefit terms	1,377,516
Differences between expected and actual experience	(2,316,822)
Changes of assumptions	(3,217,557)
Benefit payments	(1,185,975)
Net change in total OPEB liability	(2,246,524)
Balance, June 30, 2022	\$ 42,549,033

Changes in benefit terms since the previous valuation include a recent Memorandum of Understanding stipulates that retirees who attain 40 years of service and commence retirement prior to June 30, 2023 are extended lifetime benefits.

The discount rate as of the end of the fiscal year changed from 2.18% to 4.09% since the previous valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (3.09%)	\$ 46,502,091
Current discount rate (4.09%)	42,549,033
1% increase (5.09%)	38,938,037

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percent lower or higher than the current healthcare costs trend rate:

<u>Healthcare Cost Trend Rate</u>	<u>Total OPEB Liability</u>
1% decrease (6.00%)	\$ 37,738,901
Current healthcare cost trend rate (7.00%)	42,549,033
1% increase (8.00%)	48,175,534

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,861,609
Changes of assumptions	<u>2,055,235</u>	<u>4,288,282</u>
Total	<u>\$ 2,055,235</u>	<u>\$ 10,149,891</u>

The deferred outflows/(inflows) of resources for changes of assumptions and differences in expected and actual experience will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits as of the beginning of the measurement period. The EARS� for the measurement period is 8.92 years, and the deferred outflows/(inflows) of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (1,165,805)
2024	(1,165,805)
2025	(1,165,805)
2026	(1,165,805)
2027	(1,195,660)
Thereafter	(2,235,776)
Total	<u>\$ (8,094,656)</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California Education Code Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of \$489,346 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.1227%, and 0.1363%, resulting in a net decrease in the proportionate share of 0.0136%.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(88,372).

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB 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 OPEB Liability
1% decrease (1.16%)	\$ 539,393
Current discount rate (2.16%)	489,346
1% increase (3.16%)	446,585

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 445,002
Current discount rate (4.50% Part A and 5.40% Part B)	489,346
1% increase (5.50% Part A and 6.40% Part B)	540,183

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 6,000	\$ -	\$ 800	\$ 6,800
Stores inventories	168,273	-	67,039	235,312
Total nonspendable	174,273	-	67,839	242,112
Restricted				
Legally restricted programs	12,784,082	-	7,115,374	19,899,456
Capital projects	-	7,754,147	1,044,837	8,798,984
Debt services	-	-	4,489,548	4,489,548
Total restricted	12,784,082	7,754,147	12,649,759	33,187,988
Assigned				
Deficit spending	8,455,174	-	-	8,455,174
Budgetary contingency	14,000,810	-	3,878,940	17,879,750
Cash flow needs	10,000,000	-	-	10,000,000
Other	-	-	462,221	462,221
Total assigned	32,455,984	-	4,341,161	36,797,145
Unassigned				
Reserve for economic uncertainties	3,583,014	-	-	3,583,014
Remaining unassigned	26,039	-	-	26,039
Total unassigned	3,609,053	-	-	3,609,053
Total	\$ 49,023,392	\$ 7,754,147	\$ 17,058,759	\$ 73,836,298

Note 12 - 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, Alliance of Schools for Cooperative Insurance Programs (ASCIP) Joint Powers Authority (JPA) for the workers' compensation programs and purchases liability coverage through the JPA's. Refer to Note 14 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 13 - 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, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 37,142,639	\$ 15,870,379	\$ 36,344,177	\$ 2,356,480
CalPERS	20,419,771	5,739,084	8,820,183	1,746,597
Total	<u>\$ 57,562,410</u>	<u>\$ 21,609,463</u>	<u>\$ 45,164,360</u>	<u>\$ 4,103,077</u>

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, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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% 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, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	10.25%	10.205%
Required employer contribution rate	16.92	16.92
Required state contribution rate	10.828%	10.828%

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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were \$8,350,424.

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

At June 30, 2022, 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

Proportionate share of net pension liability	\$ 37,142,639
State's proportionate share of the net pension liability	<u>18,688,735</u>
Total	<u><u>\$ 55,831,374</u></u>

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively was 0.0816% and 0.0782%, resulting in a net increase in the proportionate share of 0.0034%.

For the year ended June 30, 2022, the District recognized pension expense of \$2,356,480. In addition, the District recognized pension expense and revenue of \$639,412 for support provided by the State. At June 30, 2022, 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	\$ 8,350,434	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,164,184	3,010,643
Differences between projected and actual earnings on pension plan investments	-	29,380,784
Differences between expected and actual experience in the measurement of the total pension liability	93,044	3,952,750
Changes of assumptions	<u>5,262,717</u>	<u>-</u>
Total	<u><u>\$ 15,870,379</u></u>	<u><u>\$ 36,344,177</u></u>

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
2023	\$ (7,460,957)
2024	(6,824,338)
2025	(6,993,695)
2026	(8,101,794)
Total	<u>\$ (29,380,784)</u>

The deferred outflows/(inflows) of resources related to the net change in proportion and differences between contributions made and the District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 1,525,849
2024	1,024,329
2025	(896,580)
2026	(784,407)
2027	(173,635)
Thereafter	(139,004)
Total	<u>\$ 556,552</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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 of 7.10% and assume 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 (6.10%)	\$ 75,609,120
Current discount rate (7.10%)	37,142,639
1% increase (8.10%)	5,216,195

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, 2020 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly 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 School Employer Pool provisions and benefits in effect at June 30, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

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 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, 2022, are presented above and the total District contributions were \$3,651,768.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$20,419,771. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively was 0.1004% and 0.0938%, resulting in a net increase in the proportionate share of 0.0066%.

For the year ended June 30, 2022, the District recognized pension expense of \$1,746,597. At June 30, 2022, 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	\$ 3,651,768	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,477,733	935,545
Differences between projected and actual earnings on pension plan investments	-	7,836,500
Differences between expected and actual experience in the measurement of the total pension liability	609,583	48,138
Total	<u>\$ 5,739,084</u>	<u>\$ 8,820,183</u>

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
2023	\$ (1,965,387)
2024	(1,807,350)
2025	(1,884,280)
2026	(2,179,483)
Total	<u>\$ (7,836,500)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 284,500
2024	325,022
2025	447,996
2026	46,115
Total	<u>\$ 1,103,633</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

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+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The 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	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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 (6.15%)	\$ 34,430,600
Current discount rate (7.15%)	20,419,771
1% increase (8.15%)	8,787,775

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 \$5,249,045 (10.828% 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.

Note 14 - 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, 2022.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

Construction Commitments

As of June 30, 2022, the District had approximately \$464 thousand in commitments with respect to unfinished capital projects.

Note 15 - 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 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, 2022, the District made a payment of \$1,982,893 to ASCIP.



Required Supplementary Information
June 30, 2022

Hawthorne School District

Hawthorne School District
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 82,813,126	\$ 85,493,875	\$ 85,549,456	\$ 55,581
Federal sources	28,846,174	28,397,538	15,034,734	(13,362,804)
Other State sources	15,961,486	25,240,296	25,213,500	(26,796)
Other local sources	1,550,600	2,067,891	753,226	(1,314,665)
Total revenues ¹	129,171,386	141,199,600	126,550,916	(14,648,684)
Expenditures				
Current				
Certificated salaries	41,925,941	47,941,415	47,400,795	540,620
Classified salaries	13,482,596	16,527,275	16,116,784	410,491
Employee benefits	31,859,069	32,770,525	31,402,105	1,368,420
Books and supplies	7,396,430	12,961,390	4,564,523	8,396,867
Services and operating expenditures	22,798,103	22,755,842	12,825,018	9,930,824
Other outgo	830,081	1,647,602	2,160,301	(512,699)
Capital outlay	5,767,995	8,376,962	5,217,878	3,159,084
Debt service				
Debt service - principal	205,000	205,000	237,248	(32,248)
Debt service - interest	361,181	361,181	353,254	7,927
Total expenditures ¹	124,626,396	143,547,192	120,277,906	23,269,286
Excess (Deficiency) of Revenues Over Expenditures	4,544,990	(2,347,592)	6,273,010	8,620,602
Other Financing Sources (Uses)				
Transfers in	565,681	565,681	565,681	-
Other sources - proceeds from issuance of leases	-	-	351,873	351,873
Transfers out	(319,938)	(319,938)	(319,938)	-
Net Financing Sources (Uses)	245,743	245,743	597,616	351,873
Net Change in Fund Balances	4,790,733	(2,101,849)	6,870,626	8,972,475
Fund Balance - Beginning	42,152,766	42,152,766	42,152,766	-
Fund Balance - Ending	\$ 46,943,499	\$ 40,050,917	\$ 49,023,392	\$ 8,972,475

¹ 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.

Hawthorne School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 2,087,129	\$ 1,641,163	\$ 1,046,651	\$ 1,153,917	\$ 1,735,231
Interest	1,009,185	1,128,612	1,353,059	1,365,648	1,345,234
Changes of benefit terms	1,377,516	(327,423)	-	-	-
Difference between expected and actual experience	(2,316,822)	-	(5,709,955)	-	-
Changes of assumptions	(3,217,557)	1,708,001	(2,148,355)	763,813	592,155
Benefit payments	(1,185,975)	(619,860)	(574,005)	(572,147)	(358,110)
Net change in total OPEB liability	(2,246,524)	3,530,493	(6,032,605)	2,711,231	3,314,510
Total OPEB Liability - Beginning	44,795,557	41,265,064	47,297,669	44,586,438	41,271,928
Total OPEB Liability - Ending	<u>\$ 42,549,033</u>	<u>\$ 44,795,557</u>	<u>\$ 41,265,064</u>	<u>\$ 47,297,669</u>	<u>\$ 44,586,438</u>
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Total OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

¹ The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

Hawthorne School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2022

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1227%	0.1363%	0.1382%	0.1469%	0.1498%
Proportionate share of the net OPEB liability	\$ 489,346	\$ 577,718	\$ 514,798	\$ 562,292	\$ 630,165
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Hawthorne School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.0816%	0.0782%	0.0781%	0.0818%	0.0827%	0.0869%	0.0809%	0.0755%
Proportionate share of the net pension liability	\$ 37,142,639	\$ 75,818,045	\$ 70,577,261	\$ 75,220,219	\$ 76,513,897	\$ 70,303,239	\$ 54,433,028	\$ 44,111,211
State's proportionate share of the net pension liability	18,688,735	39,084,211	38,504,608	43,067,094	45,264,975	40,022,380	28,789,071	26,636,254
Total	\$ 55,831,374	\$ 114,902,256	\$ 109,081,869	\$ 118,287,313	\$ 121,778,872	\$ 110,325,619	\$ 83,222,099	\$ 70,747,465
Covered payroll	\$ 44,480,173	\$ 42,596,322	\$ 43,678,741	\$ 43,756,847	\$ 43,075,278	\$ 41,761,957	\$ 38,859,764	38,467,115
Proportionate share of the net pension liability as a percentage of its covered payroll	83.50%	177.99%	161.58%	171.91%	177.63%	168.34%	140.08%	114.67%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.1004%	0.0938%	0.0944%	0.1014%	0.1066%	0.1048%	0.1014%	0.0965%
Proportionate share of the net pension liability	\$ 20,419,771	\$ 28,781,849	\$ 27,509,668	\$ 27,027,247	\$ 25,445,059	\$ 20,690,152	\$ 14,953,642	\$ 10,954,709
Covered payroll	\$ 14,768,454	\$ 13,543,482	\$ 12,783,136	\$ 14,429,959	\$ 13,095,565	\$ 12,439,056	\$ 11,238,977	11,168,950
Proportionate share of the net pension liability as a percentage of its covered payroll	138.27%	212.51%	215.20%	187.30%	194.30%	166.33%	133.05%	98.08%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Hawthorne School District
Schedule of the District's Contributions
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	\$ 8,350,434	\$ 7,183,548	\$ 7,283,971	\$ 7,110,899	\$ 6,314,113	\$ 5,418,870	\$ 4,481,058	\$ 3,450,747
Less contributions in relation to the contractually required contribution	<u>8,350,434</u>	<u>7,183,548</u>	<u>7,283,971</u>	<u>7,110,899</u>	<u>6,314,113</u>	<u>5,418,870</u>	<u>4,481,058</u>	<u>3,450,747</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 49,352,447</u>	<u>\$ 44,480,173</u>	<u>\$ 42,596,322</u>	<u>\$ 43,678,741</u>	<u>\$ 43,756,847</u>	<u>\$ 43,075,278</u>	<u>\$ 41,761,957</u>	<u>\$ 38,859,764</u>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS								
Contractually required contribution	\$ 3,651,768	\$ 3,057,070	\$ 2,670,910	\$ 2,308,890	\$ 2,241,117	\$ 1,818,712	\$ 1,473,655	\$ 1,322,940
Less contributions in relation to the contractually required contribution	<u>3,651,768</u>	<u>3,057,070</u>	<u>2,670,910</u>	<u>2,308,890</u>	<u>2,241,117</u>	<u>1,818,712</u>	<u>1,473,655</u>	<u>1,322,940</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 15,939,625</u>	<u>\$ 14,768,454</u>	<u>\$ 13,543,482</u>	<u>\$ 12,783,136</u>	<u>\$ 14,429,959</u>	<u>\$ 13,095,565</u>	<u>\$ 12,439,056</u>	<u>\$ 11,238,977</u>
Contributions as a percentage of covered payroll	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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 statement 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.

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 Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - A recent Memorandum of Understanding stipulates that retirees who attain 40 years of service and commence retirement prior to June 30, 2023 are extended lifetime benefits.
- *Changes of Assumptions* - The OPEB discount rate assumption was changed from 2.18% to 4.09% since the previous valuation.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of the District's 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.



Supplementary Information
June 30, 2022

Hawthorne School District

Hawthorne School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	\$ 1,390,513
Preschool Grants, Part B, Sec 619	84.173	13430	114,879
Preschool Staff Development, Part B, Sec 619	84.173A	13431	467
COVID-19: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	283,395
COVID-19: ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	<u>34,788</u>
Subtotal Special Education Cluster (IDEA)			<u>1,824,042</u>
Title I, Part A, Basic Grants Low-Income and Neglected			
	84.010	14329	3,768,550
Title II, Part A, Supporting Effective Instruction			
	84.367	14341	605,428
Title III, English Learner Student Program			
	84.365	14346	122,229
Title IV, Part A, Student Support and Academic Enrichment Grants			
	84.424	15396	129,540
COVID-19: Governor's Emergency Education Relief (GEER) Fund			
	84.425C	15517	29,770
COVID-19: Governor's Emergency Education Relief (GEER) Fund			
	84.425C	15619	13,996
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund			
	84.425D	15536	233
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund			
	84.425D	15547	4,796,720
COVID-19: American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief (ESSER) Fund			
	84.425U	15559	2,871,728
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund			
	84.425D	15618	265,605
COVID-19: ARP Elementary and Secondary School Emergency School Emergency Relief (ESSER) Fund			
	84.425U	15620	68,128
COVID-19: ARP Elementary and Secondary School Emergency Relief (ESSER) Fund			
	84.425U	15621	<u>186,164</u>
Subtotal			<u>8,232,344</u>
Total U.S. Department of Education			<u>14,682,133</u>

Hawthorne School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through Los Angeles County Office of Education (LACOE)			
COVID-19: School Site Testing: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	[1]	\$ 432,452
Passed through CDE			
Child Development: ARP California State Preschool Program One-time Stipend	93.575	15640	<u>79,800</u>
Total U.S. Department of Health and Human Services			<u>512,252</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	3,663,470
School Breakfast Program - Especially Needy Breakfast	10.553	13526	2,114,041
National School Lunch Program - Meal Supplements	10.555	13755	129,585
National School Lunch Program - Commodity Supplemental Food	10.555	13391	402,265
COVID-19: School Nutrition Program Emergency Operational Costs Reimbursement	10.555	15637	<u>85,230</u>
Subtotal Child Nutrition Cluster			<u>6,394,591</u>
COVID-19: Pandemic EBT Local Administrative Grant	10.649	15644	<u>5,813</u>
Total U.S. Department of Agriculture			<u>6,400,404</u>
Total Federal Financial Assistance			<u>\$ 21,594,789</u>

[1] Pass-through entity identifying number not available.

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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mrs. Cristina Chiappe	President	2024
Mr. Vicente Bravo	Vice President	2024
Mr. Sergio R. Mortara	Clerk	2022
Mr. Luciano A. Aguilar	Member	2022
Dr. Eugene M. Krank	Member	2022

Administration

Dr. Helen F. Morgan	Superintendent
Dr. Brian Markarian	Associate Superintendent, Human Resources
Mrs. Mara Pagniano	Assistant Superintendent, Business Services

Hawthorne School District
Schedule of Average Daily Attendance
Year Ended June 30, 2022

	Final Report	
	Second Period Report*	Annual Report*
Regular ADA		
Transitional kindergarten through third	2,627.92	2,640.95
Fourth through sixth	2,020.23	2,026.49
Seventh and eighth	1,284.77	1,290.80
Total Regular ADA	5,932.92	5,958.24
Extended Year Special Education		
Transitional kindergarten through third	1.21	1.67
Fourth through sixth	1.21	1.45
Seventh and eighth	0.47	0.69
Total Extended Year Special Education	2.89	3.81
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.93	0.97
Seventh and eighth	3.19	3.03
Total Special Education, Nonpublic, Nonsectarian Schools	4.12	4.00
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.10	0.10
Seventh and eighth	0.32	0.32
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.42	0.42
Total ADA	5,940.35	5,966.47
Hawthorne Mathematics, Science and Technology Charter School		
Classroom based ADA		
Ninth through twelfth	493.27	491.99
Non Classroom based ADA		
Ninth through twelfth	27.03	26.58
Total Charter School ADA	520.30	518.57

*The District and Charter School's P-2 and Annual attendance reports were revised on September 30, 2022.

Hawthorne School District
Schedule of Instructional Time
Year Ended June 30, 2022

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	55,980	-	55,980	180	-	180	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		52,380	-	52,380	180	-	180	-	-	-	Complied
Grade 2		52,380	-	52,380	180	-	180	-	-	-	Complied
Grade 3		52,380	-	52,380	180	-	180	-	-	-	Complied
Grades 4 - 8	54,000										
Grade 4		56,190	-	56,190	180	-	180	-	-	-	Complied
Grade 5		56,190	-	56,190	180	-	180	-	-	-	Complied
Grade 6		60,002	-	60,002	180	-	180	-	-	-	Complied
Grade 7		60,002	-	60,002	180	-	180	-	-	-	Complied
Grade 8		60,002	-	60,002	180	-	180	-	-	-	Complied

Hawthorne Mathematics, Science and Technology Charter School

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Grades 9 - 12	64,800										
Grade 9		65,080	-	65,080	180	-	180	-	-	-	Complied
Grade 10		65,080	-	65,080	180	-	180	-	-	-	Complied
Grade 11		65,080	-	65,080	180	-	180	-	-	-	Complied
Grade 12		65,080	-	65,080	180	-	180	-	-	-	Complied

Hawthorne School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2022

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2022.

Hawthorne School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2022

	(Budget) 2023 ¹	2022	2021 ¹	2020 ¹
General Fund ²				
Revenues	\$ 142,050,727	\$ 125,741,013	\$ 120,780,034	\$ 104,140,234
Other sources	565,681	565,681	566,178	278,800
Total revenues and other sources	<u>142,616,408</u>	<u>126,306,694</u>	<u>121,346,212</u>	<u>104,419,034</u>
Expenditures	137,515,043	119,115,175	107,876,555	94,201,229
Other uses	<u>319,938</u>	<u>319,938</u>	<u>615,492</u>	<u>319,938</u>
Total expenditures and other uses	<u>137,834,981</u>	<u>119,435,113</u>	<u>108,492,047</u>	<u>94,521,167</u>
Increase in Fund Balance	<u>4,781,427</u>	<u>6,871,581</u>	<u>12,854,165</u>	<u>9,897,867</u>
Ending Fund Balance	<u>\$ 53,778,780</u>	<u>\$ 48,997,353</u>	<u>\$ 42,125,772</u>	<u>\$ 29,271,607</u>
Available Reserves ³	<u>\$ 4,089,517</u>	<u>\$ 3,609,053</u>	<u>\$ 3,764,073</u>	<u>\$ 2,907,319</u>
Available Reserves as a Percentage of Total Outgo ³	<u>2.97%</u>	<u>3.02%</u>	<u>3.47%</u>	<u>3.08%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 206,631,241</u>	<u>\$ 259,709,671</u>	<u>\$ 252,685,904</u>
K-12 Average Daily Attendance at P-2 ⁴	<u>6,180</u>	<u>5,940</u>	<u>7,022</u>	<u>7,022</u>

The General Fund balance has increased by \$19,725,746 over the past two years. The fiscal year 2022-2023 budget projects an increase of \$4,781,427 (9.76%). 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 surpluses in all of the past three years and anticipates incurring an operating surplus during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$46,054,663 over the past two years.

Average daily attendance has decreased by 1,082 over the past two years. A growth of 240 ADA is anticipated during fiscal year 2022-2023.

¹ Financial information for 2023, 2021 and 2020 are included for analytical purposes only and has not been subjected to audit.

² 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.

³ Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund and Special Reserve Fund for other than Capital Outlay Projects.

⁴ Excludes Charter School ADA.

Hawthorne School District
Schedule of Charter Schools
Year Ended June 30, 2022

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
Hawthorne Mathematics, Science and Technology	0523	Yes

Hawthorne School District
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2022

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Assets						
Deposits and investments	\$ 199,473	\$ 5,017,562	\$ 228,854	\$ 2,784,272	\$ 2,228,918	\$ 1,041,882
Receivables	-	121,117	1,618	1,670,763	5,502	2,955
Due from other funds	-	1,094,014	-	-	-	-
Stores inventories	-	-	-	67,039	-	-
Total assets	\$ 199,473	\$ 6,232,693	\$ 230,472	\$ 4,522,074	\$ 2,234,420	\$ 1,044,837
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 2,244	\$ 1,264,347	\$ 122,788	\$ 355,073	\$ -	\$ -
Unearned revenue	-	219,326	64,440	46,219	-	-
Total liabilities	2,244	1,483,673	187,228	401,292	-	-
Fund Balances						
Nonspendable	-	-	-	67,839	-	-
Restricted	197,229	587,538	43,244	4,052,943	2,234,420	1,044,837
Assigned	-	4,161,482	-	-	-	-
Total fund balances	197,229	4,749,020	43,244	4,120,782	2,234,420	1,044,837
Total liabilities and fund balances	\$ 199,473	\$ 6,232,693	\$ 230,472	\$ 4,522,074	\$ 2,234,420	\$ 1,044,837

Hawthorne School District
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2022

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Foundation Permanent Fund	Total Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 7,624	\$ 1,263	\$ 4,489,548	\$ 170,278	\$ 16,169,674
Receivables	22	4	-	488	1,802,469
Due from other funds	-	-	-	-	1,094,014
Stores inventories	-	-	-	-	67,039
Total assets	\$ 7,646	\$ 1,267	\$ 4,489,548	\$ 170,766	\$ 19,133,196
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,744,452
Unearned revenue	-	-	-	-	329,985
Total liabilities	-	-	-	-	2,074,437
Fund Balances					
Nonspendable	-	-	-	-	67,839
Restricted	-	-	4,489,548	-	12,649,759
Assigned	7,646	1,267	-	170,766	4,341,161
Total fund balances	7,646	1,267	4,489,548	170,766	17,058,759
Total liabilities and fund balances	\$ 7,646	\$ 1,267	\$ 4,489,548	\$ 170,766	\$ 19,133,196

Hawthorne School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds Year Ended June 30, 2022

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Revenues						
Local Control Funding Formula	\$ -	\$ 7,309,888	\$ -	\$ -	\$ -	\$ -
Federal sources	-	85,665	79,800	6,394,590	-	-
Other state sources	-	905,071	1,523,440	411,934	-	-
Other local sources	113,863	(192,083)	(6,255)	(65,331)	(75,853)	43,907
Total revenues	113,863	8,108,541	1,596,985	6,741,193	(75,853)	43,907
Expenditures						
Current						
Instruction	-	4,777,040	1,206,868	-	-	-
Instruction-related activities						
Supervision of instruction	-	2,116	89,239	-	-	-
Instructional library, media, and technology	-	114,935	-	-	-	-
School site administration	-	638,645	221,158	-	-	-
Pupil services						
Food services	-	-	-	6,682,798	-	-
All other pupil services	-	487,825	-	-	-	-
Administration						
All other administration	-	209,480	85,975	221,554	-	-
Plant services	-	500,790	2,500	5,725	-	-
Ancillary services	97,500	92,913	-	-	-	-
Enterprise services	-	-	-	8,053	-	-
Facility acquisition and construction	-	105,243	-	-	44,464	-
Debt service						
Principal	-	-	-	-	-	-
Interest and other	-	-	-	-	-	-
Total expenditures	97,500	6,928,987	1,605,740	6,918,130	44,464	-
Excess (Deficiency) of Revenues over Expenditures	16,363	1,179,554	(8,755)	(176,937)	(120,317)	43,907
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	319,938	-
Transfers out	-	(565,681)	-	-	-	-
Net Financing Sources (Uses)	-	(565,681)	-	-	319,938	-
Net Change in Fund Balances	16,363	613,873	(8,755)	(176,937)	199,621	43,907
Fund Balance, Beginning	180,866	4,135,147	51,999	4,297,719	2,034,799	1,000,930
Fund Balance, Ending	\$ 197,229	\$ 4,749,020	\$ 43,244	\$ 4,120,782	\$ 2,234,420	\$ 1,044,837

Hawthorne School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds Year Ended June 30, 2022

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Foundation Permanent Fund	Total Non-Major Governmental Funds
Revenues					
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ -	\$ 7,309,888
Federal sources	-	-	-	-	6,560,055
Other state sources	-	-	19,914	-	2,860,359
Other local sources	(236)	(40)	5,865,852	(5,262)	5,678,562
Total revenues	(236)	(40)	5,885,766	(5,262)	22,408,864
Expenditures					
Current					
Instruction	-	-	-	-	5,983,908
Instruction-related activities					
Supervision of instruction	-	-	-	-	91,355
Instructional library, media, and technology	-	-	-	-	114,935
School site administration	-	-	-	-	859,803
Pupil services					
Food services	-	-	-	-	6,682,798
All other pupil services	-	-	-	-	487,825
Administration					
All other administration	-	-	-	-	517,009
Plant services	-	-	-	-	509,015
Ancillary services	-	-	-	874	191,287
Enterprise services	-	-	-	-	8,053
Facility acquisition and construction	-	-	-	-	149,707
Debt service					
Principal	-	-	4,685,000	-	4,685,000
Interest and other	-	-	1,885,368	-	1,885,368
Total expenditures	-	-	6,570,368	874	22,166,063
Excess (Deficiency) of Revenues over Expenditures	(236)	(40)	(684,602)	(6,136)	242,801
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	319,938
Transfers out	-	-	-	-	(565,681)
Net Financing Sources (Uses)	-	-	-	-	(245,743)
Net Change in Fund Balances	(236)	(40)	(684,602)	(6,136)	(2,942)
Fund Balance, Beginning	7,882	1,307	5,174,150	176,902	17,061,701
Fund Balance, Ending	\$ 7,646	\$ 1,267	\$ 4,489,548	\$ 170,766	\$ 17,058,759

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Hawthorne School District (the District) under programs of the federal government for the year ended June 30, 2022. The information 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). Because the schedule presents only a selected portion of the operations of the Hawthorne School District, it is not intended to and does not present the financial position, or changes in net position of the Hawthorne School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District had spent food commodities totaling \$402,265.

Donated Personal Protective Equipment (PPE) (unaudited)

Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was approximately \$807 thousand and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or Assistance Listing numbers. The donated PPE is not included in the Schedule of Expenditure of Federal Awards.

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 has met 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 46207.

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

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

These schedules are 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
June 30, 2022

Hawthorne School District



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 School District
Hawthorne, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hawthorne School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2022.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

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.

Handwritten signature of Erik Bailly in black ink.

Rancho Cucamonga, California
December 3, 2022



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Governing Board
Hawthorne School District
Hawthorne, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hawthorne School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 3, 2022



Independent Auditor's Report on State Compliance

Governing Board
Hawthorne School District
Hawthorne, California

Report on Compliance

Opinion on State Compliance

We have audited Hawthorne School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
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
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	Yes, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below
In Person Instruction Grant	Yes
CHARTER Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	No, see below

We did not perform procedures for Kindergarten Continuance because there were no Kindergarten students retained in 2020-2021 that were in Kindergarten in 2021-2022.

We did not perform Continuation Education procedures because the program is not offered by the District.

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.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform 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.

We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study for Charter Schools nor for Determination of Funding for Nonclassroom-Based Instruction because the ADA was under the level that requires testing.

Additionally, we did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Report on 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 3, 2022



Schedule of Findings and Questioned Costs
June 30, 2022

Hawthorne School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19: Governor's Emergency Education Relief (GEER) Fund	84.425C
COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19: American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U
Child Nutrition Cluster	10.553, 10.555
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.