PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 9, 2026

NEW ISSUE—FULL BOOK-ENTRY **RATING: Moody's: "Aa3"**
(See "MISCELLANEOUS – Rating")

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" herein with respect to tax consequences concerning the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

$15,500,000*
HAWTHORNE SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2018 General Obligation Bonds, Series C

Dated: Date of Delivery **Due: August 1, as shown on inside cover**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page but not otherwise defined shall have the meanings assigned thereto herein.

The Hawthorne School District (Los Angeles County, California) Election of 2018 General Obligation Bonds, Series C (the "Bonds") were authorized at an election of the registered voters of the Hawthorne School District (the "District") held on June 5, 2018, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of $59,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities and (ii) pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of Los Angeles County is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except with respect to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

The Bonds will be dated as of their respective dates of initial delivery, and will be issued as current interest bonds such that interest thereon will accrue from the such initial delivery dates and be payable semiannually. Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2027. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. Payments of principal of and interest on the Bonds will be made by the designated Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. U.S. Bank Trust Company, National Association, Los Angeles, California, has been appointed as agent of the Treasurer and Tax Collector of Los Angeles County to act as Paying Agent for the Bonds.

The original purchaser of the Bonds may elect to purchase municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due, which, if purchased, would be issued concurrently with the delivery of the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption as further described herein.*

MATURITY SCHEDULE*
(see inside front cover)

Pursuant to the terms of a public sale on ________, 2026, the Bonds were awarded to the Underwriter at a True-Interest Cost of _______%. The Bonds are being offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel and Disclosure Counsel. The Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York on or about September 29, 2026

Official Statement dated _______________, 2026.

* Preliminary, subject to change.

MATURITY SCHEDULE*

$15,500,000*
HAWTHORNE SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2018 General Obligation Bonds, Series C

Base CUSIP(†): 420524

$__________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP(†) Suffix

$__________ – ______% Current Interest Term Bonds due August 1, 20__; Yield: ____%(1); CUSIP(†) Suffix: ___

* Preliminary, subject to change.
(†) CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is owned by FactSet Research Systems Inc. ("FactSet"). FactSet will manage the CUSIP system on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of such municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from sources outside of the District which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement: "The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website and social media accounts. However, the information presented on the District's website and social media a counts is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

HAWTHORNE SCHOOL DISTRICT

Board of Trustees

District Administration

Dr. Brian Markarian, *Superintendent*
Mara Pagniano, *Associate Superintendent, Business Services*

<u>PROFESSIONAL SERVICES</u>

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth LLP
San Francisco, California

Municipal Advisor

Piper Sandler & Co.,
El Segundo, California

Paying Agent, Registrar, and Transfer Agent

U.S. Bank Trust Company, National Association, as agent of the
Treasurer and Tax Collector of Los Angeles County
Los Angeles, California

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HAWTHORNE SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2018 General Obligation Bonds, Series C

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Hawthorne School District (Los Angeles County, California) Election of 2018 General Obligation Bonds, Series C (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Hawthorne School District (the "District") is located in Los Angeles County, California (the "County"), was established in 1907, and provides educational services to residents of the City of Hawthorne and residents of surrounding unincorporated areas of the County. The total area served by the District is approximately seven square miles. The District operates seven elementary schools, three middle schools, and one dependent charter high school. For fiscal year 2026-27, the District budgets total average daily attendance ("ADA") and enrollment (including the charter school) to be approximately 6,111.67 and 6,500 students, respectively. Taxable property within the District has a total fiscal year 2026-27 assessed valuation of $8,428,358,058.

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board, who is responsible for day-to-day District operations, as well as the supervision of the District's other key personnel. Dr. Brian Markarian is currently the District's Superintendent.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Hawthorne School District, 14120 S. Hawthorne Blvd., Attention: Associate Superintendent, Business Services.

See "HAWTHORNE SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" for information regarding the District generally and "TAX BASE FOR REPAYMENT OF BONDS" for information regarding the District's assessed valuation. The audited financial statements of the District for fiscal year ending June 30, 2025, are attached hereto as APPENDIX B, and should be read in their entirety.

Purpose of the Bonds

The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities and (ii) pay the costs of issuing the Bonds. See also "THE

BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to certain provisions of the Government Code and State (defined herein) Constitution, and a resolution adopted by the Board of Trustees on June 24, 2026 for the Bonds (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except with respect to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees.

In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution. See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" herein and in APPENDIX A attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount, as applicable, or any integral multiple thereof.

Redemption.* The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates, as further described herein. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be dated as of the date of their execution and issuance (the "Date of Delivery") and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year (each a "Bond Payment Date"), commencing February 1, 2027. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

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* Preliminary, subject to change.

Payments of the principal of and interest on the Bonds will be made by the designated paying agent, bond registrar, and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners. U.S. Bank Trust Company, National Association has been appointed by the Treasurer and Tax Collector of the County (the "Treasurer") to act as Paying Agent. See also "—Book-Entry Only System" herein.

Bond Insurance. The original purchaser of the Bonds may elect to purchase municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due, which, if purchased, would be issued concurrently with the delivery of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California ("Bond Counsel") under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California (the "State") personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about September 29, 2026[*] (the "Closing Date").

Continuing Disclosure

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule"). These covenants have been made in order to assist the Underwriter (defined herein) in complying with the Rule. The specific nature of the information to be made available and of the notices of enumerated events required to be provided are summarized in APPENDIX C attached hereto.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, and certain other considerations, see "TAX BASE FOR REPAYMENT OF BONDS" and "LIMITATION ON REMEDIES; BANKRUPTCY" herein.

[*] Preliminary, subject to change.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth LLP, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Piper Sandler & Co., El Segundo, California is acting as Municipal Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth LLP and Piper Sandler & Co. will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The district does not plan to issue any updates or revisions to the forward-looking statements set forth in this official statement.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Hawthorne School District, 14120 S. Hawthorne Boulevard, Hawthorne, California 90250, telephone: (310) 676-2276. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Government Code Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (the "Act"), commencing with Section 53506 *et seq*., as amended, Article XIIIA of the State Constitution and pursuant to the Resolution. The District received authorization at an election held on June 5, 2018 by the requisite 55% or more of the votes cast by eligible voters within the District to issue $59,000,000 aggregate principal amount of general obligation bonds (the "Authorization"), and pursuant to the Resolution. The Bonds are the third issuance of bonds pursuant to the Authorization, and following the issuance thereof $5,650,000* of the Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except with respect to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Such *ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish such a reserve, and the District can make no representation that such reserve will be established by the County or that such a reserve, if previously established by the County, will be maintained in the future. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein) established by the Resolution, which fund is required to be segregated and maintained by the County and which is designated for the payment of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable, will be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal of and interest on to its DTC Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The rate of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual

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* Preliminary, subject to change.

debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, outbreaks of disease, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, fire, wildfire, flood, drought, climate change, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIIIA of the State Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co.. Beneficial Owners will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of the Closing Date.

Interest on the Bonds accrues from the Date of Delivery (such date being the Closing Date with respect to the Bonds), and is payable semiannually. Interest on the Bonds will be payable on each Bond Payment Date, commencing February 1, 2027. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before the first Record Date (defined herein) with respect to each series of the Bonds, in which event it will bear interest from the Closing Date. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. Principal of the Bonds is payable on August 1, in the years and amounts set forth on the inside cover page hereof.

Payments. Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds will be payable upon maturity or earlier redemption, as applicable, upon surrender at the designated office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

Annual Debt Service

The following table summarizes the annual debt service requirements for the Bonds, assuming no optional redemptions are made:

Year Ending August 1	Annual Principal Payment	Annual Interest Payment(1)	Total Annual Debt Service

(1) Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2027.

See "HAWTHORNE SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds" for a breakdown by issuance of the annual debt service requirements for the District's outstanding general obligation bonded debt.

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the renovation, acquisition, construction, repair, and equipping of District sites and facilities, as approved by voters and to pay the costs of issuing the Bonds. The net proceeds from the sale of the Bonds will be paid to the County to the credit of the building fund created by the Resolution (the "Building Fund"), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained therein. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued, upon written notice from the District, will be transferred to the Debt Service Fund (as defined herein) and applied to the payment of the principal of and interest thereon.

Any premium received by the County from the sale of the Bonds, as well as *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will be kept separate and apart in the Debt Service Fund created by the Resolution (the "Debt Service Fund") and used only for payment of principal of and interest on the Bonds. Any interest earnings on moneys held in the Bonds Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law. Moneys in the Debt Service Fund are expected to be invested through the County's pooled investment fund. See "APPENDIX E – LOS ANGELES COUNTY TREASURY POOL" attached hereto.

Redemption

Optional Redemption.* The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 20__ at a redemption price equal to the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Redemption.* The Bonds maturing on August 1, 20__ (the "Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such 20__ Term Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Year Ending August 1	Principal To Be Redeemed

(1) Maturity.

In the event that a portion of the Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption as directed by the District and, if not so directed, by lot. Redemption by lot will be in such manner as the Paying Agent will

* Preliminary, subject to change.

determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part will be in the principal amount of $5,000 or any integral multiple thereof.

Redemption Notice. When optional redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds (or portions thereof). Such Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the registration books of the Paying Agent (the "Bond Register"); (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services; and (d) provide a Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA"); or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

"Securities Depository" means The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issues or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number, if any, identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in "THE BONDS—Defeasance" herein, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like series, tenor and maturity and of authorized denominations equal in Transfer Amounts to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption Notice. Notice having been given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in "THE BONDS – Defeasance" herein, the Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, moneys for the redemption of the Bonds to be redeemed, together with interest accrued to such redemption date, are held by the Paying Agent (or an independent escrow agent selected by the District) in trust so as to be available therefor on such redemption date, and if a Redemption Notice thereof will have been given as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable. All money held for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds to be so redeemed.

Recission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in "THE BONDS – Defeasance" herein, such Redemption Notice will state that such redemption will be conditional upon the receipt by the Paying Agent (or an independent escrow agent selected by the District), on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and the Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information under this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, *Direct Participants or Indirect Participants (as defined herein) (collectively, the "DTC Participants") will distribute to the Beneficial Owners (a) payments of principal of, interest on, or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct and Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds or distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the "Owners" "Bond Owners" or "Holders" of the Bonds (other than under the captions "TAX MATTERS" herein and "APPENDIX A – FORM OF OPINION OF BOND COUNSEL FOR THE BONDS" attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry only system as described above is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the Bonds.

The principal of, premium and interest on the Bonds upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity, series and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof) upon presentation and surrender at the designated trust office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which together with amounts transferred from the Debt Service Fund (if any) is sufficient to pay all such Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premium, if any) at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, together with interest to accrue thereon and moneys transferred from the Debt Service Fund (if any) in such amount as will, together with the interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premium, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations the payment of the principal of and interest on which is secured, guaranteed or otherwise backed by, directly or indirectly, a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed by either S&P Global Rating, a business unit of Standard & Poor's Financial Services LLC ("S&P") or Moody's Investors Services Inc. ("Moody's") at least as high as direct or general obligations of the United States of America.

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ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

Sources of Funds

Principal Amount of the Bonds
Original Issue Premium
Total Sources

Uses of Funds

Building Fund
Deposit to Debt Service Fund
Costs of Issuance[1]
Total Uses

[1] Reflects all costs of issuance of the Bonds, including, but not limited to, the underwriting discount, legal and municipal advisory fees, printing costs, rating agencies fees, and the costs and fees of the Paying Agent.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from the* ad valorem *property taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.*

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as county, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located within the boundaries of the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Property not attached to land, such as personal or business property, is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1, respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment, plus a minimum $10 cost on the second installment, plus any additional amount determined by the tax collecting authority of the County. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about the end of the County's fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption, and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the County.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "—Tax Levies Collections and Delinquencies" herein.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuations

Property within the District has a total assessed valuation for fiscal year 2026-27 of $8,428,358,058. The following table represents a 11-year history of assessed valuations in the District, as of the date the equalized assessment tax roll is established in August of each year, excluding any exemptions granted after such date in each year:

ASSESSED VALUATIONS
Fiscal Year 2016-17 through 2026-27
Hawthorne School District

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2016-17	$4,161,595,638	$2,768,337	$483,627,730	$4,647,991,705	--
2017-18	4,403,290,124	2,768,337	525,783,072	4,931,841,533	6.11%
2018-19	4,655,833,501	2,768,337	623,364,412	5,281,966,250	7.10
2019-20	4,958,080,486	2,768,337	604,469,762	5,565,318,585	5.36
2020-21	5,234,694,027	3,354,020	753,252,988	5,991,301,035	7.65
2021-22	5,414,007,466	3,252,282	628,524,540	6,045,784,288	0.91
2022-23	5,680,369,935	3,252,282	877,528,953	6,561,151,170	8.52
2023-24	6,127,384,504	3,252,282	1,063,945,949	7,194,582,735	9.65
2024-25	6,452,435,426	3,749,459	1,236,760,757	7,692,945,642	6.93
2025-26	6,686,271,906	3,749,459	1,312,546,273	8,002,567,638	4.02
2026-27	6,962,493,892	3,749,459	1,462,114,707	8,428,358,058	5.32

Source: California Municipal Statistics, Inc. for fiscal years 2016-17 through 2025-26, and the County Auditor-Controller for fiscal year 2026-27. Percentage Change column calculated by the Municipal Advisor.

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Economic and other factors beyond the District's control, such as general market decline in property values, the outbreak of disease, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, fire, wildfire, flood or toxic contamination could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Adverse Impacts of Tariffs. The current Presidential administration has sought to alter the international trading landscape through the use of widespread tariffs. If tariffs are implemented, certain impacted countries that have been impacted by the tariffs may respond with reciprocal tariffs on imports of U.S.-made goods. The international escalation of tariffs may cause significant disruptions in local, State and national economies, including immediate material impacts to industries heavily integrated into international trade. No assurances can be made that the escalation of tariffs will not materially adversely impact the local, State or national economies or the assessed valuation of property within the District, including the assessed valuation of the top taxpayers in the District, or the ability of taxpayers within the District to pay property taxes.

Seismic Events. The District is located in Los Angeles County, a seismically active region of the State, into which extend several major earthquake faults. Specifically, the District is located near the Newport-Inglewood-Rose Canyon Fault Zone and sits between the Charnock Fault and the Potrero Fault. With this, an earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region's economy.

Drought. California has experienced cyclical severe drought conditions over the past several years. According to the U.S. Drought Monitor, as of September 1, 2026, the County is currently not experiencing any drought conditions. However, the District cannot predict if there will be future drought conditions and related water usage restrictions imposed in the future. The District can also make no representations regarding to the extent to which significant snowfall and precipitation, or any future winter storm activity or related rainfall, mudslides or flooding conditions, may impact District facilities or the assessed value of taxable property within the District.

Wildfires. Major wildfires have occurred in recent years in different regions of the State, including significant fires throughout the fall of 2020, the summer of 2021, and the winter of 2025. The District did not sustain any property losses as a result of these recent fires. However, serious and significant property damage has resulted in other areas of the State due to fire damage. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates.

Climate Change. In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, droughts, wildfires, floods, heat waves, and rising sea levels. See also "—Drought" and "—Wildfires" above. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District in unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

Appeals and Adjustments of Assessed Valuations. Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought, or toxic contamination pursuant to relevant provisions of the State Constitution. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value subject to yearly reappraisals by the county assessor may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA.

No assurance can be given that future property tax appeals, or actions by the County Assessor, will not significantly reduce the assessed valuation of property within the boundaries of the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB

102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear tax appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities.

Assessed Valuation by Jurisdiction. The following table shows the District's assessed valuation by jurisdiction for fiscal year 2026-27.

ASSESSED VALUATION AND PARCELS BY JURISDICTION
Fiscal Year 2026-27
Hawthorne School District

Jurisdiction:	**Assessed Valuation in District**	**% of District**	**Assessed Valuation of Jurisdiction**	**% of Jurisdiction in District**
City of Hawthorne	$8,200,529,588	97.30%	$12,473,662,862	65.74%
City of Lawndale	39,841,093	0.47	3,440,363,174	1.16
Unincorporated Los Angeles County	187,987,377	2.23	155,957,379,573	0.12
Total District	$8,428,358,058	100.00%		
Los Angeles County	$8,428,358,058	100.00%	$2,279,713,440,062	0.37%

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2026-27.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2026-27
Hawthorne School District

Non-Residential:	**2026-27 Assessed Valuation[1]**	**% of Total**	**No. of Parcels**	**% of Total**
Commercial/Office Building	$1,016,418,297	14.60%	662	7.39%
Vacant Commercial	15,170,724	0.22	40	0.45
Industrial	741,469,052	10.65	236	2.64
Vacant Industrial	6,725,384	0.10	20	0.22
Recreational	6,569,408	0.09	9	0.10
Government/Social/Institutional	15,594,880	0.22	121	1.35
Miscellaneous	560,019	0.01	60	0.67
Subtotal Non-Residential	$1,802,507,764	25.89%	1,148	12.82%
Residential:				
Single-Family Residence	$1,769,479,190	25.41%	3,935	43.95%
Condominium/Townhouse	227,789,921	3.27	572	6.39
Mobile Home	170,134	0.00	12	0.13
Mobile Home Park	4,563,014	0.07	8	0.09
2-4 Residential Units	1,231,117,430	17.68	2,045	22.84
5+ Residential Units/Apartments	1,882,075,470	27.03	1,014	11.33
Vacant Residential	44,790,969	0.64	219	2.45
Subtotal Residential	$5,159,986,128	74.11%	7,805	87.18%
Total	$6,962,493,892	100.00%	8,953	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single-Family Homes. The following table shows the distribution of single-family homes within the District among various fiscal year 2026-27 assessed valuation ranges, as well as the average and median assessed valuation of single-family homes within the District.

ASSESSED VALUATION OF SINGLE-FAMILY HOMES
Fiscal Year 2026-27
Hawthorne School District

	No. of Parcels	2026-27 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	3,935	$1,769,479,190	$449,677	$403,369

2026-27 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	14	0.356%	0.356%	$502,021	0.028%	0.028%
50,000 - 99,999	211	5.362	5.718	15,178,654	0.858	0.886
100,000 - 149,999	105	2.668	8.386	12,858,938	0.727	1.613
150,000 - 199,999	171	4.346	12.732	30,738,420	1.737	3.350
200,000 - 249,999	340	8.640	21.372	76,944,867	4.348	7.698
250,000 - 299,999	410	10.419	31.792	112,382,318	6.351	14.050
300,000 - 349,999	367	9.327	41.118	118,825,251	6.715	20.765
350,000 - 399,999	332	8.437	49.555	124,201,553	7.019	27.784
400,000 - 449,999	280	7.116	56.671	118,948,309	6.722	34.506
450,000 - 499,999	233	5.921	62.592	110,509,951	6.245	40.752
500,000 - 549,999	232	5.896	68.488	122,026,897	6.896	47.648
550,000 - 599,999	215	5.464	73.952	123,575,813	6.984	54.631
600,000 - 649,999	176	4.473	78.424	110,017,618	6.218	60.849
650,000 - 699,999	173	4.396	82.821	116,853,725	6.604	67.453
700,000 - 749,999	165	4.193	87.014	119,527,161	6.755	74.208
750,000 - 799,999	119	3.024	90.038	92,089,531	5.204	79.412
800,000 - 849,999	125	3.177	93.215	102,744,613	5.806	85.219
850,000 - 899,999	84	2.135	95.349	73,604,144	4.160	89.378
900,000 - 949,999	76	1.931	97.281	70,005,667	3.956	93.335
950,000 - 999,999	34	0.864	98.145	33,176,111	1.875	95.209
1,000,000 and greater	73	1.855	100.000	84,767,628	4.791	100.000
	3,935	100.000%		$1,769,479,190	100.000%	

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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Tax Levies, Collections and Delinquencies

The following table sets forth secured tax charges and delinquency information for the District for fiscal years 2015-16 through 2024-25.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2015-16 through 2024-25
Hawthorne School District

	Secured Tax Charge[1]	Amt. Del. June 30	% Del. June 30
2015-16	$2,795,642.77	$39,491.63	1.41%
2016-17	3,129,334.67	37,059.61	1.18
2017-18	3,341,751.50	41,403.03	1.24
2018-19	3,573,134.96	48,693.14	1.36
2019-20	3,781,558.21	85,055.93	2.25
2020-21	4,074,530.94	69,283.08	1.70
2021-22	4,110,411.16	64,201.91	1.56
2022-23	4,397,241.12	68,518.63	1.56
2023-24	4,819,986.35	84,512.53	1.75
2024-25	5,177,574.77	129,538.39	2.50

	Secured Tax Charge[2]	Amt. Del. June 30	% Del. June 30
2015-16	$4,037,718.09	$33,962.36	0.84%
2016-17	3,978,041.43	41,894.70	1.05
2017-18	3,895,742.87	27,864.71	0.72
2018-19	3,894,516.17	28,853.21	0.74
2019-20	5,396,230.19	104,056.31	1.93
2020-21	5,329,469.75	77,108.53	1.45
2021-22	5,329,110.39	44,056.30	0.83
2022-23	5,168,653.34	39,714.39	0.77
2023-24	4,214,034.01	63,207.23	1.50
2024-25	4,662,963.69	65,472.02	1.40

(1) 1% general fund apportionment. Excludes redevelopment agency tax-increment impounds. Reflects county-wide delinquency rate.
(2) Reflects general obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.

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Alternative Method of Tax Apportionment - Teeter Plan

Certain counties in the State of California operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **The County has <u>not</u> adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.**

The District participates in the California Statewide Delinquent Tax Finance Authority ("CSDTFA"). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Government Code Section 6516.6. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* property tax receivables from the District. For the most recent fiscal year for which CSDTFA purchased delinquencies (the 2024-25 fiscal year), such delinquencies were purchased from the District at a purchase price equal to 108.5% thereof. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA. CSDTFA does not currently purchase *ad valorem* property tax receivables related to the payment of general obligation bonds of the District. Thus, the District's participation in CSDTFA's program does not ensure that the District will receive the timely payment of *ad valorem* property taxes levied to secure the Bonds. See also "– *Ad Valorem* Property Taxation" herein.

Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of an outbreak of disease or natural or manmade disaster. However, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a "TRA") within the District during the five-year fiscal year period from 2021-22 to 2025-26.

SUMMARY OF *AD VALOREM* PROPERTY TAX RATES (TRA 4260)[(1)]
Fiscal Years 2021-22 through 2025-26
Hawthorne School District

	2021-22	2022-23	2023-24	2024-25	2025-26
General Tax Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Hawthorne School District	.099326	.086375	.067230	.071673	.073952
Centinela Valley Union High School District	.062496	.070641	.051569	.067394	.053432
Centinela Valley Union High School District SFID 2016-1	.047433	.044391	.040737	.041131	.055581
El Camino Community College District	.022639	.022989	.021160	.021012	.021788
Metropolitan Water District	.003500	.003500	.003500	.007000	.007000
Total Tax Rate	1.235394%	1.227896%	1.184196%	1.208210%	1.211753%

(1) Fiscal year 2025-26 assessed valuation of TRA 4260 is $2,871,953,616 which is 35.89% of the district's total assessed valuation.
Source: California Municipal Statistics, Inc.

Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2026-27 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2026-27
Hawthorne School District

Rank	Property Owner	Primary Land Use	2026-27 Assessed Valuation	% of Total [(1)]
1	Mogul Hospitality Partners	Hotel	$91,628,027	1.32%
2	M and A Gabaee	Commercial	72,919,725	1.05
3	BSP Zelman Hawthorne LLC	Industrial	70,758,606	1.02
4	Equity Holdings LLC	Apartments	70,454,451	1.01
5	Hawthorn Creative LLC	Office Building	65,792,388	0.94
6	RT Rocket Road LLC	Industrial	58,598,211	0.84
7	AK Hawthorne LLC	Shopping Center	51,876,633	0.75
8	Chadron Terrace LLC	Commercial	37,856,173	0.54
9	Chadron Owner LLC	Industrial	34,637,827	0.50
10	BTS LP	Apartments	33,988,477	0.49
11	Terreno Hawthorne LLC	Industrial	32,032,152	0.46
12	Paul S. and Edythe Ling	Apartments	30,865,364	0.44
13	IRD LP	Apartments	29,849,180	0.43
14	2 La Cienega Inc.	Hotel	29,082,226	0.42
15	Boyd Lian LP	Apartments	27,870,960	0.40
16	Costco Wholesale Corporation	Commercial	27,462,213	0.39
17	12621 12719 Chadron Ave LLC	Industrial	24,625,328	0.35
18	Cerise Owner LLC	Industrial	24,284,364	0.35
19	Extra Space Properties Two LLC	Industrial	24,190,192	0.35
20	William Ashley Inc.	Hotel	22,903,204	0.33
	Total		$861,675,701	12.38%

(1) Fiscal year 2026-27 local secured assessed valuation: $6,962,493,892.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. dated as of September 1, 2026 for debt outstanding as of September 1, 2026. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING DEBT
Hawthorne School District

2026-27 Assessed Valuation: $8,428,358,058

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 9/1/26**
Metropolitan Water District	0.370%	$59,367
Los Angeles County Flood Control District	0.378	378,000
El Camino Community College District	4.901	21,152,859
Centinela Valley Union High School District	28.126	57,875,327
Centinela Valley Union High School District School Facilities District No. 2016-1	31.805	83,116,007
Hawthorne School District	**100.000**	**63,543,149**(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$226,124,709
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.370%	$14,729,341
Los Angeles County Superintendent of Schools Certificates of Participation	0.370	4,957
Centinela Valley Union High School District Certificates of Participation	53.073	2,178,647
Hawthorne School District Certificates of Participation	**100.000**	**9,465,000**
City of Hawthorne General Fund and Pension Obligation Bonds	65.743	92,397,776
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$118,775,721
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$5,915,088
COMBINED TOTAL DEBT		$350,815,518(2)

Ratios to 2026-27 Assessed Valuation:

Direct Debt ($63,543,149)	**0.75%**
Total Overlapping Tax and Assessment Debt	2.68%
Combined Direct Debt ($73,008,149)	**0.87%**
Combined Total Debt	4.16%

Ratio to Redevelopment Incremental Valuation ($1,456,169,558):

Total Overlapping Tax Increment Debt	0.41%

(1) Excludes general obligation bonds to be sold. Excludes accreted value from capital appreciation bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and for the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy property taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.*

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem* property taxes, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State Legislature (the "State Legislature") to change any state taxes for the purpose of increasing tax revenues.

Proposition 19

On November 3, 2020, voters in California approved Proposition 19, a legislatively referred constitutional amendment ("Proposition 19"), which amends Article XIIIA to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on District revenues or the assessed valuation of real property in the District. However, any reduction of assessed valuation would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service on the Bonds.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor, (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property <u>within the same county</u>, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the

"Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Inter-county transfers under Proposition 171 are more restrictive than intra-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a "reasonable size that is used as a site for a residence;" (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a community funded district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula.

Article XIIIB of the California Constitution

Article XIIIB ("Article XIIIB") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts and community college districts (collectively "K-14 school districts") to mean the percentage change in State per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "– Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the State Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-14 school districts at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school districts appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's budget.

On June 5, 1990, the voters of the State approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. <u>Annual Adjustments to Spending Limit</u>. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. <u>Treatment of Excess Tax Revenues</u>. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. <u>Exclusions from Spending Limit</u>. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, State voters approved an amendment (commonly known as "Proposition 39") to the State Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the governing board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the governing board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary or high school district), or $25 (for a community college district), per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the State

Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING

DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Jarvis v. Connell

On May 29, 2002, the State Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the State Supreme Court upheld the holding of the Court of Appeal, stating that the State Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 2

On November 4, 2014, State voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an ADA between 1,001 and 30,000, is required to maintain a reserve for economic uncertainty in an amount not less than 3% of its general fund expenditures and other financing uses.

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions community funded school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

2024 State School Facilities Bond

The Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair and Safety Bond Act of 2024 (referred to herein as the "2024 State School Facilities Bond") was a ballot measure that was approved by State voters on November 5, 2024. The 2024 State School Facilities Bond authorizes the sale and issuance of $10 billion in State general obligation bonds for the repair, upgrade and construction of facilities at K-12 public schools, community colleges and career technical education programs, including the development of health and safety conditions.

K-12 School Facilities. The 2024 State School Facilities Bond includes $3.3 billion for the new construction of K-12 facilities and an additional $4 billion for the modernization of existing K-12 facilities. Up to $10 million of the allocation for new constructions will be reserved for small school districts with an enrollment of fewer than 2,501 students. Of the $4 billion assigned for modernization of existing K-12 facilities, up to $115 million will be allocated for the repairment of lead in water at school facilities. Generally, K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. However, some districts that have lower assessed property values and meet certain other socio-economic criteria will be required to pay as low as 45% and 35% of new construction costs and modernization costs, respectively. In addition, a total of $1.2 billion will be available for the modernization and new construction of charter school facilities ($600 million) and technical education facilities ($600 million). The State will award funds to technical education and charter school through an application process, and charter schools must be deemed financially sound before project approval.

Community College Facilities. The 2024 State School Facilities Bond includes $1.5 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment.

The table below shows the expected use of bond funds under the 2024 State School Facilities Bond:

2024 STATE SCHOOL FACILITIES BOND
Use of Bond Funds
(In Millions)

K-12 Public School Facilities	
New construction	$3,300
Modernization	4,000
Career technical education facilities	600
Charter school facilities	600
Subtotal	$8,500
Community College Facilities	$1,500
Total	$10,000

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 22, 26, 30, 39, 55, and 98, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County within the boundaries of the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Beginning in fiscal year 2013-14, school districts have been funded based on a uniform system of funding grants assigned to certain grade spans. See "– Local Control Funding Formula" herein.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), as amended by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91"), established the current system for funding school districts, charter schools and county offices of education.

The primary component of AB 97 was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. During the implementation period of the LCFF, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span, as of the first year of the LCFF's implementation, were as follows: (i) \$6,845 for grade K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. During the implementation period of the LCFF, Base Grants were required to be adjusted annually for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" herein for information on the adjusted Base Grants provided by State budgetary legislation.

The Base Grants for grades TK-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period.

The State budget for fiscal year 2021-22 also implemented a plan to expand the LCFF to include Transitional Kindergarten (TK) to all four-year olds. This plan is expected to phase in cohorts of TK students over a four-year period, concluding in fiscal year 2025-26. As a result, school districts that serve TK students will be eligible to receive an add-on equal to \$2,813, multiplied by such district's second principal reporting period ADA for TK students for the current fiscal year. Beginning in fiscal year 2023-24, this add-on is subject to COLA adjustments to the same degree as LCFF Base Grants. The LCFF also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13. For fiscal year 2025-26, the District had an ADA of 309.30 TK students and has budgeted an ADA of 309.30 TK students for fiscal year 2026-27.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed separately herein). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 65% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The table on the following page shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2016-17 through 2025-26, and budgeted amounts for fiscal year 2026-27.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2016-17 through 2026-27
Hawthorne School District

	Average Daily Attendance[1]					Enrollment[2]	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment
2016-17	3,511.77	2,522.79	1,651.00	550.32	8,235.88	8,562	88.20%
2017-18	3,421.92	2,452.42	1,597.22	543.04	8,014.60	8,378	90.17
2018-19	3,304.39	2,359.66	1,515.87	527.24	7,932.80	8,072	89.06
2019-20	3,151.29	2,352.40	1,518.41	563.59	7,585.68	7,924	88.58
2020-21	2,867.40	2,226.97	1,515.55	527.57	7,182.50	7,581	90.76
2021-22	2,629.13	2,022.47	1,288.75	520.30	6,460.65	7,305	86.28
2022-23	2,658.73	2,002.40	1,324.80	507.77	6,493.70	7,093	87.35
2023-24	2,680.82	1,965.63	1,361.68	524.89	6,533.02	7,025	88.41
2024-25	2,666.63	1,945.72	1,305.09	540.92	6,458.36	6,908	91.03
2025-26	2,616.41	1,902.18	1,224.59	545.33	6,288.51	6,722	91.15
2026-27[3]	2,543.37	1,863.82	1,163.60	540.88	6,111.67	6,500	91.15

Note: Includes ADA and Enrollment for the Charter School (defined herein). See "HAWTHORNE SCHOOL DISTRICT – Charter Schools" herein.

(1) Except for fiscal year 2026-27, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. For the 2019-20 school year, due to the outbreak of COVID-19, P-2 ADA only reflects full school months from July 1, 2019 through February 29, 2020.

(2) Except for fiscal year 2026-27, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures generally exclude preschool and adult transitional students. Excludes ADA of County-operated programs. For purposes of calculating Supplemental and Concentration Grants, a school district's percentage of unduplicated EL/LI students is based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years

(3) Budgeted.

Source: Hawthorne School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of COLAs in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Certain school districts, known as "community supported" districts (or "basic aid" districts), have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Community supported school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a community supported district.

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to cover a three-year period and be updated annually. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF implementing legislation and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized (i) to modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Recent deportation efforts initiated by the current Presidential administration may pose a potential risk to school districts relying on revenue from the LCFF. LCFF districts rely heavily on student attendance and enrollment numbers, and for certain districts, Supplemental and Concentration Grant add-ons for serving a high percentage of EL and LI students, to secure funding. If undocumented students or students who have undocumented parents or caretakers cease attending school or face deportation, districts may experience a decrease in funding. The District cannot predict the potential changes to enrollment or attendance in response to the deportation efforts initiated by the current Presidential administration.

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Revenue Sources

Federal Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. However, no representation can be made that the District will continue to receive or be eligible for federal funding of education programs, including as a result of current efforts and proposals to reduce the size of the federal workforce, eliminate government programs, eliminate or merge governmental agencies and/or withhold Congressionally appropriated funds. In addition, school districts may receive additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, foundations, parcel taxes, developer fees, redevelopment revenues and other local sources. With respect to the District, certain of these are discussed below.

Parcel Tax. Parcel taxes are "special taxes" for purposes of the State Constitution, and as such must be approved by at least two-thirds of the voters voting on the relevant proposition. The Lawndale School District, Hawthorne School District, Wiseburn School District, Lennox School District and Centinela Valley Union High School District in Los Angeles County formed a joint powers authority known as the Local Classrooms Funding Authority (the "LCFA"). On November 6, 2012, the voters within the boundaries of the LCFA approved the levy of a $.02 per-square foot tax on residential property, and a $.075 per-square foot tax on all other types of property. The parcel tax commenced on July 1, 2013 and remains in effect indefinitely. However, the parcel tax may be reduced or cease subject to an advisory election and approval by the board members of LCFA. The parcel tax has been be levied within the boundaries of the LCFA in order to raise restricted funds to augment each District's operating budget for the purposes authorized in the measure. The measure provides an exemption for property owners who are (i) 65 years or older or (ii) are receiving Supplemental Security Income for a disability, regardless of age. Exemptions are subject to the further requirement that the owner of such parcel be used solely for owner-occupied, single-family residential purposes. The District received annual parcel tax revenues of $1,541,251.86 for fiscal year 2024-25, $1,540,333.42 (unaudited) for fiscal year 2025-26. The District has budgeted to receive $1,540,333.42 for fiscal year 2026-27.

Budget Process

State Budgeting Requirements. The District is required by provisions of the Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets' ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a LCAP, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reporting. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

Within the past five years, the District has not submitted, nor has the county superintendent of schools assigned, a "qualified" or "negative" certification to District interim financial reports.

Budgeting Trends. The District's general fund adopted budgets for fiscal years 2022-23 through 2026-27, audited actuals for fiscal years 2022-23 through 2024-25, and unaudited actuals for fiscal year 2025-26 are set forth on the following page.

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GENERAL FUND BUDGETING[1]
Fiscal Years 2022-23 through 2026-27
Hawthorne School District

	Fiscal Year 2022-23		Fiscal Year 2023-24		Fiscal Year 2024-25		Fiscal Year 2025-26		Fiscal Year 2026-27
	Budgeted[1]	Audited[1]	Budgeted[1]	Audited[1]	Budgeted[1]	Audited[1]	Budgeted[2]	Unaudited[3]	Budgeted[3]
REVENUES									
LCFF	$88,655,708	$93,928,948	$96,056,069	$96,390,162	$92,809,579	$93,590,322	$93,665,815	$94,626,391	$97,844,914
Federal Sources	17,166,406	23,275,545	11,817,632	13,119,756	5,201,221	6,103,141	5,756,928	6,470,719	5,516,643
Other State Sources	34,597,013	45,300,991	30,853,928	34,195,557	32,662,870	35,186,620	33,395,838	40,845,339	37,310,551
Other Local Sources	1,631,600	4,904,550	1,631,600	8,147,380	1,831,983	8,180,796	1,797,595	7,457,472	1,754,174
Total Revenues	142,050,727	167,410,034	140,359,229	151,852,855	132,505,653	143,060,879	134,616,176	149,399,921	142,426,282
EXPENDITURES									
Current:									
Certificated Salaries	46,522,125	49,189,077	49,259,084	52,029,420	52,245,945	54,285,526	55,342,024	56,427,856	56,486,878
Classified Salaries	15,490,353	16,631,425	18,362,722	18,801,993	20,006,644	20,136,937	21,167,357	21,418,411	21,483,780
Employee Benefits	34,688,311	33,928,389	36,981,829	36,886,673	38,106,692	39,197,740	43,089,785	41,659,909	43,215,803
Books & Supplies	10,730,682	9,552,013	10,134,314	4,780,218	9,803,287	10,041,747	9,175,707	4,080,617	8,548,552
Services & Operating Expenditures	22,790,352	16,476,985	24,674,033	20,518,876	21,934,040	22,915,374	22,219,850	24,908,869	21,939,907
Other Outgo	1,707,518	1,442,747	1,630,878	1,244,540	1,674,147	572,950	2,043,802	1,289,085	--
Capital Outlay	5,020,021	11,163,863	457,724	1,105,095	--	651,534	--	1,405,092	1,161,449
Debt Service									
Debt service - principal	215,000	297,753	240,000	309,293	327,807	331,077	--	--	--
Debt service – interest and other	350,681	346,274	327,807	332,984	240,000	321,777	--	--	--
Total Expenditures	137,515,043	139,028,526	142,068,391	136,009,092	144,338,562	148,454,662	153,038,525	151,189,839	152,836,369
Excess (Deficiency) of Revenues Over Expenditures	4,535,684	28,381,508	(1,709,162)	15,843,763	(11,832,909)	(5,393,783)	(18,422,349)	(1,789,918)	(10,410,087)
Other Financing Sources (Uses)									
Transfers In	565,681	565,681	567,807	567,806	565,556	565,556	567,682	567,681	569,057
Transfers Out	(319,938)	(319,938)	(319,938)	(320,533)	(319,938)	(4,722,279)	(319,938)	(324,694)	(319,938)
Other Sources	--	--	--	--	--	56,591	--	--	--
Other Uses	--	--	--	--	--	--	--	--	--
Contributions	--	--	--	--	--	--	--	--	--
Net Financing Sources (Uses)	245,743	245,743	247,869	247,273	245,618	(4,100,132)	247,744	242,987	249,119
Net Change in Fund Balance	4,781,427	28,627,251	(1,461,293)	16,091,036	(11,587,291)	(9,493,915)	(18,174,605)	(1,546,931)	(10,160,968)
Fund Balance – Beginning[4]	49,023,392	49,023,392	77,650,643	77,650,643	93,741,679	93,741,679	84,218,298	84,218,298	82,671,367
Fund Balance – Ending[4]	$53,804,819	$77,650,643	$76,189,350	$93,741,679	$82,154,388	$84,247,764	$66,043,693	$82,671,367	$72,510,399

(1) From the District's Audited Financial Statements for fiscal years 2021-22 through 2024-25, respectively. Reflects combined unrestricted and restricted general fund.

(2) From the District's Second Interim Report for fiscal year 2025-26, approved by the Board on March 11, 2026. Reflects restricted and unrestricted general fund. Numbers are rounded to nearest whole.

(3) From the District's Unaudited Actuals for fiscal year 2025-26, to be considered by the Board for approval on September 9, 2026. Reflects restricted and unrestricted general fund. Numbers are rounded to nearest whole.

(4) Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 Special Revenue Fund for Other Than Capital Outlay ("Fund 17") has been consolidated into the General Fund. With this, additional revenues and expenditures pertaining to Fund 17 are included in the Actual (GAAP Basis) revenues and expenditures for fiscal years 2022-23 through 2024-25, however they are not included in the figures for fiscal years 2025-26 and 2026-27.

Source: Hawthorne School District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Education Code Section 41010, is to be followed by all State school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2025, and prior fiscal years are on file with the District and available for public inspection at the Hawthorne School District, 14120 South Hawthorne Boulevard, Hawthorne, California 90250, telephone: (310) 676-2276. The District's audited financial statements for the year ended June 30, 2015 are attached hereto as APPENDIX B. The table on the following page reflects the District's general fund revenues, expenditures and changes in fund balance for fiscal years 2020-21 through 2024-25.

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AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES[1]
Fiscal Years 2020-21 through 2024-25
Hawthorne School District

	2020-21	2021-22	2022-23	2023-24	2024-25
REVENUES:					
Local Control Funding Formula	$78,917,795	$85,549,456	$93,928,948	$96,390,162	$93,590,322
Federal sources	18,678,634	15,034,734	23,275,545	13,119,756	6,103,141
Other State sources	17,890,325	25,213,500	45,300,991	34,195,557	35,186,620
Other local sources	5,267,681	753,226	4,904,550	8,147,380	8,180,796
Total Revenues	120,754,435	126,550,916	167,410,034	8,147,380	143,060,879
EXPENDITURES:					
Current					
Instruction	72,092,251	70,607,329	81,278,373	77,639,173	87,715,232
Instruction-related activities:					
Supervision of instruction	3,239,868	4,000,380	4,403,603	5,336,688	5,753,756
Instructional library, media and technology	922,863	1,074,812	1,105,316	1,234,402	1,324,306
School site administration	6,956,666	7,750,662	8,209,842	9,009,198	8,945,967
Pupil services:					
Home-to-school transportation	298,732	1,432,533	1,695,776	1,577,335	1,751,012
Food services	--	--	245,071	322,338	44,101
All other pupil services	5,913,037	7,386,686	9,087,909	11,123,164	12,769,288
Administration:					
Data processing	1,354,588	1,855,254	1,715,986	1,554,646	1,842,355
All other administration	4,033,313	5,131,956	5,341,179	6,457,686	6,820,316
Plant services	10,342,981	12,444,351	13,755,024	16,045,209	15,962,369
Facility acquisition and construction	544,078	4,777,955	7,847,262	96,333	99,836
Ancillary services	1,127	532	108	3,393	20,067
Community services	355,416	1,443,643	1,777,140	3,142,922	3,715,225
Other outgo	1,229,710	1,781,311	1,921,910	1,824,328	1,037,978
Enterprise services	--	--	--	--	--
Debt Service:					
Principal	205,000	237,248	297,753	309,293	331,077
Interest and other	361,178	353,254	346,274	332,984	321,777
Total Expenditures	107,850,808	120,277,906	139,028,526	136,009,092	148,454,662
Excess (Deficiency) of Revenues Over Expenditures	12,903,627	6,273,010	28,381,508	15,843,763	(5,393,783)
Other Financing Sources (Uses)					
Transfers In	566,178	565,681	565,681	567,806	565,556
Other Sources	--	351,873	--	--	56,591
Transfers Out	615,492)	(319,938)	(319,938)	(320,533)	(4,722,279)
Other Uses	--	--	--	--	--
Total Other Financing Sources and Uses	(49,314)	597,616	245,743	247,273	(4,100,132)
NET CHANGE IN FUND BALANCES	12,854,313	6,870,626	28,627,251	16,091,036	(9,493,915)
Fund Balance – Beginning	29,298,453	42,152,766	49,023,392	77,650,643	93,741,679
Fund Balance – Ending	$42,152,766	$49,023,392	$77,650,643	$93,741,679	$84,247,764

(1) From the District's Comprehensive Audited Financial statements for fiscal years 2020-21 through 2024-25. Reflects combined restricted and unrestricted general fund.

Source: Hawthorne School District.

State Budget Measures

The following information concerning the State's budget has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County in an amount sufficient for the payment thereof.*

2026-27 State Budget. On June 29, 2026, the Governor signed the State budget for fiscal year 2026-27 (the "2026-27 State Budget"). The following is drawn from the DOF summary of the 2026-27 State Budget.

The 2026-27 State Budget largely maintains the framework of the Governor's May revision to the proposed 2026-27 State Budget (the "May Revision"), and is projected to provide for balanced State budgets in both fiscal years 2026-27 and 2027-28, while reducing projected structural deficits in fiscal years 2028-29 and 2029-30. To assist in providing for a positive ending balance in the State reserve in fiscal year 2027-28 and manage State resources, the 2026-27 State Budget includes a transfer in fiscal year 2026-27 of $6.4 billion into the Projected Surplus Temporary Holding Account (the "Surplus Holding Account"). Created in 2004 by Assembly Bill 179, the Surplus Holding Account allows the State to set aside a portion of anticipated surplus funds and allocate them in a subsequent fiscal year. State leaders have broad authority to determine whether or how to use the Surplus Holding Account. The only requirement is that revenues that go into the account cannot remain there for longer than one year. If State revenues materialize as projected, the revenues in the account may be spent for any purpose or transferred back to the State general fund for future use.

The State budget for fiscal year 2025-26 included numerous spending measures that, at the time, were projected to result in almost $12 billion in ongoing savings. The 2026-27 State Budget includes three additional revenue measures that are intended to solidify the State's fiscal structure:

- *Managed Care Organization (MCO) Tax* – A renewal of the MCO Tax, effective January 1, 2027, which is projected to increase revenues by $575 million in fiscal year 2026-27, $2.3 billion in fiscal year 2027-28 and 2028-29, and $1.7 billion in fiscal year 2029-30, primarily to support the State Medi-Cal program and maintain targeted rate increases for primary, maternal and mental health care.

- *Business Tax Credit Limitation* – An extension of the temporary business tax credit limitation for an additional three years, which limits the amount by which carry-over business credits can reduce net tax liability. Beginning in 2030, the 2026-27 State Budget permanently limits the use of business tax credits to the greater of $5 million or 70% of the tax liability. This is projected to increase State general fund revenues by $1 billion in fiscal year 2026-27, $3.3 billion in fiscal year 2027-28, $4.7 billion in fiscal year 2028-29 and $4.2 billion in fiscal year 2029-30.

- *Prewritten Software Tax* – An extension of an existing sales tax on prewritten software. This is projected to increase State general fund revenues by $450 million in fiscal year 2026-27 and $900 million annually thereafter.

For fiscal year 2025-26, the 2026-27 State Budget projects total general fund revenues and transfers of $245.8 billion and authorizes expenditures of $245.3 billion. The State is projected to end fiscal year 2025-26 with total reserves of approximately $49.9 billion, including $11.5 billion in the BSA, $9.2 million in the PSSSA and $29.2 billion in traditional general fund reserves. For fiscal year 2026-27, the 2026-27 State Budget projects total general fund revenues and transfers of $226.8 billion and authorizes expenditures of $251.5 billion. The State is projected to end fiscal year 2026-27 with total reserves of approximately $28.8 billion, including $15.1 billion in the BSA, $9.2 billion in the PSSSA and $4.5 billion in the traditional general fund reserve. The Safety Net Reserve is projected to have zero balances in both fiscal years.

The 2025-26 State Budget sets total funding in fiscal year 2026-27 for all TK-12 education programs at $151.4 billion, including $91.1 billion from the State general fund and $60.3 billion from other sources. The minimum funding guarantee in fiscal year 2026-27 is set at $128.1 billion. The 2026-27 State Budget also makes retroactive changes to the minimum funding guarantee in fiscal years 2024-25 and 2025-26, setting them at $124.9 billion and $125.3 billion, respectively. These revised levels represent an increase of approximately $29.2 billion over the three-year period relative to the State budget for fiscal year 2025-26, and an increase of approximately $1.2 billion from the May Revision.

Test 1 of the minimum funding guarantee is projected to be in effect over the three-year period, meaning that the guarantee is these years is roughly equal to 40% of projected State general fund revenues and local property taxes. This percentage is not reduced to reflect enrollment adjustments, which increases per-pupil spending. In addition, the revised minimum funding guarantee level for fiscal year 2024-25 fully retires a $8.3 billion maintenance factor payment due in that year. To mitigate against potential future reductions in revenues and manage resources, the 2026-27 State Budget maintains a $3.9 billion settle-up amount in fiscal year 2025-26. If, in spring of 2027, revenues remain at the same or higher levels for fiscal year 2025-26, the State legislature will be required to pay this amount back to TK-14 school districts and will need to schedule this payment in State budgetary legislation, either from available funds or scheduled over multiple fiscal years.

Other significant features relating to TK-12 education funding include the following:

- *LCFF* – The 2026-27 State Budget includes a statutory COLA of 2.87% which, when combined with population growth adjustments, results in an increase of approximately $1.1 billion in discretionary funds for local educational agencies as compared to the State budget for fiscal year 2025-26. The 2026-27 State Budget includes an additional $1.1 billion in discretionary funding for the LCFF, resulting in a total COLA (statutory and discretionary) of 4.31%. These additional funds are intended to help local educational agencies manage rising costs, offset funding restrictions related to declining enrollment and fund a new requirement for paid pregnancy disability leave (see below). As a result the funding levels provided by the 2026-27 State Budget, the adjusted Base Grants for fiscal year 2026-27 are as follows: (i) $11,811 for grades TK-3, (ii) $10,860 for grades 4-6, (iii) $11,181 for grades 7 and 8, and (iv) $13,296 for grades 9-12. The adjusted add-on per ADA for TK funding is set at $5,704. Finally, the 2026-27 State Budget includes an ongoing increase of $31.3 million in Proposition 98 funding to provide a 20% increase in LCFF funding for Necessary Small Schools.

- *Paid Pregnancy Leave* – The 2026-27 State Budget requires all TK-14 local educational agencies to provide all employees with up to 14 weeks of paid pregnancy disability leave, beginning on January 1, 2027. Costs of the benefit are expected to be absorbable within the additional discretionary LCFF funding described above.

- *Special Education* – An increase of $2.4 billion in special education funding, representing a 43% increase over the funding level set in the prior year State budget. The 2026-27 State Budget also includes an ongoing allocation of $80 million for the special education cost pool, which provides reimbursement to special education local plan areas for students with specified high-cost service needs, as well as the low-incidence disability add-on, which provides funding to support students with rare, highly specialized needs. Additional measures also include (i) $30 million for the Supporting Inclusive Practices Project, which provides resources to schools and educators to expand students access to the general educational environment, (ii) a one-time increase of $25 million to the Inclusive College Technical Assistance Center, which facilitates collaboration between local educational agencies and institutions of higher education to expand inclusive college opportunities for disabled students, and (iii) $10 million in one-time funds to support implementation of alternative pathways for disabled students to obtain a high-school diploma.

- *Student Support and Professional Development* – $5 billion in one-time Proposition 98 funding for the Student Support and Professional Development Block Grant, which provides local educational agencies with additional fiscal support to address rising costs and fund Statewide priorities.
- *Community Schools* – $1 billion in ongoing Proposition 98 funding to expand community schools, which partner with educational, county and nonprofit entities to provide integrated health, trauma-informed mental health, social services and academic supports.
- *Literacy and Math Instruction* – $350 million in one-time Proposition 98 funding to extend funding for the support of the English Language Arts/English Language Development framework, which includes investments such as literacy coaches, reading specialists, trainings for educators, administering screenings and providing materials. The 2026-27 State Budget also provides $50 million in one-time Proposition 98 funding to expand the reach of the Mathematics Professional Learning Partnership to include more local educational agencies and extend its impact beyond its current expiration date of June 30, 2029.
- *Teacher Preparation and Professional Development* – Nearly three quarters of a billion dollars to accelerate the State's progress in addressing teacher shortages, including (i) $408 million in additional one-time Proposition 98 funding for the Student Teacher Stipend Program, (ii) $250 million in one-time Proposition 98 funding to continue educational residency programs through 2029-30, (iii) $30 million in one-time Proposition 98 funding for the Statewide teacher residency technical assistance center, (iv) $16.2 million in ongoing federal special education funds to continue the Golden State Teacher Grant Program, (v) $15 million in one-time Proposition 98 funding to expand and enhance no-cost, high quality professional learning to support educational leaders and administrators, (vi) $10 million in one-time Proposition 98 funding to provide competitive grants to local educational agencies to create pathways that will increase the number of bilingual teachers, and (vii) $10 million in in one-time Proposition 98 funding to support classified employees pursuing teaching credentials.
- *Immigrant Students* – $100 million in one-time Proposition 98 funding to provide supportive services for newcomer pupils, English learners and immigrant families. The 2026-27 State Budget also provides $75 million in one-time Proposition 98 funding to establish Dream Resource Centers at high schools to support pupils with social services, State-funded immigration legal services, academic opportunities and parent and family workshops.
- *Early Education* - $250 million in one-time Proposition 98 funding for the Universal Prekindergarten Planning & Implementation Grant, which will support the expansion of State preschool and Transitional Kindergarten programs to two-, three- and four-year old

students. The 2026-27 State Budget also provides $51.4 million in ongoing Proposition 98 funding to provide increased monthly cost of care payments to State preschool program contractors and $33.6 million in ongoing Proposition 98 funding to increase the number of preschool development days.

- *Learning Recovery Emergency Block Grant* – $757.3 million in one-time Proposition 98 funding to support the Learning Recovery Emergency Block Grant, which supports local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.
- *Kitchen Infrastructure* – $500 million in one-time Proposition 98 funding for specialized kitchen equipment, infrastructure and training to support schools in providing more freshy prepared meals made with local ingredients.
- *Student Homelessness* – $116 million in one-time Proposition 98 funding to provide three-year grants to local educational agencies to increase identification of and improve educational outcomes for students experiencing homelessness.
- *Dual Enrollment* - $100 million in one-time Proposition 98 funding to increase access to college and career pathways for high school students.
- *Holocaust and Genocide Education* - $10 million in one-time Proposition 98 funding for the Holocaust and Genocide Education Grant program to support professional development and provide resources on Holocaust and genocide education.
- *Reading Difficulties Screening* – $40 million in one-time Proposition 98 funding to support continued implementation of student reading difficulties screenings.

For additional information regarding the 2026-27 State Budget, see the DOF website www.dof.ca.gov. However, the information presented on such website is not incorporated herein by any reference.

Future Actions and Events. The District cannot predict what additional actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

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HAWTHORNE SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax levied annually by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

Introduction

The District is located in the County, was established in 1907, and provides educational services to residents of the City of Hawthorne and residents of surrounding unincorporated areas of the County. The total area served by the District is approximately seven square miles.

The District operates seven elementary schools, three intermediate schools, and one charter high school. For fiscal year 2026-27, the District has budgeted total ADA and enrollment (including the charter school) to be approximately 6,111.67 and 6,500 students, respectively. Taxable property within the District has a total fiscal year 2026-27 assessed valuation of $8,428,358,058.

The District is governed by the Board, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board, who is responsible for day-to-day District operations, as well as the supervision of the District's other key personnel. Dr. Brian Markarian is the District's Superintendent.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Hawthorne School District, Attention: Associate Superintendent, Business Services, 14120 South Hawthorne Boulevard, Hawthorne, California 90250.

Administration

The District is governed by a five-member Board, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed in the following table:

BOARD OF TRUSTEES
Hawthorne School District

Name	Office	Term Expires
Cristina Chiappe	President	December 2028
Sergio R. Mortara	Vice President	December 2026
Vicente Bravo	Clerk	December 2028
Luciano Aguilar	Member	December 2026
Dr. Eugene Krank	Member	December 2026

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Dr. Brian Markarian is the Superintendent of the

District. Brief biographies of the Superintendent and the Associate Superintendent, Business Services of the District follow:

Dr. Brian Markarian, Superintendent. Dr. Markarian has served the District for more than two decades. He was appointed by the District Board as Superintendent effective July 1, 2022. Prior to his appointment, Dr. Markarian held the position of Associate Superintendent, Human Resources. Dr. Markarian has also served as Assistant Superintendent, Educational Services; Director of Categorical Programs; principal; and classroom teacher within the District. Dr. Markarian has a Doctor of Education from the University of Southern California, a Master of Arts in Educational Leadership from California State University, Northridge, and a Bachelor of Science in Business Administration from Stonehill College.

Mara Pagniano, Associate Superintendent, Business Services. Mrs. Pagniano began her career with the District in 1990. She was appointed by the District Board as Associate Superintendent, Business Services effective March 9, 2017. Prior to her appointment, Mrs. Pagniano held the position of Director of Special Projects. Mrs. Pagniano has also served as coordinator, principal, assistant principal and teacher within the District. Mrs. Pagniano has a Master of Education in Educational Management from University of LaVerne, a Bachelor of Science in Psychology from California State University, Long Beach, and completed the School Business Management Certification Program at the University of Southern California.

District Enrollment History

On average throughout the District, the regular education pupil-teacher ratio is approximately 26:1 for grades K-3, 29:1 in grades 4-6, 29:1 in grades 7-8, and 28:1 in grades 9-12. The following table reflects the enrollment history for the District for the last 10 years and a budgeted amount for fiscal year 2026-27.

DISTRICT ENROLLMENT
Fiscal Years 2017-28 through 2025-26
Hawthorne School District

Fiscal Year	Enrollment[(1)]	Change in Enrollment
2016-17	8,562	--
2017-18	8,378	(2.15)%
2018-19	8,072	(3.65)
2019-20	7,924	(1.83)
2020-21	7,581	(4.33)
2021-22	7,305	(3.64)
2022-23	7,093	(2.90)
2023-24	7,025	(0.96)
2024-25	6,908	(1.67)
2025-26	6,722	(2.69)
2026-27[(2)]	6,500	(3.30)

(1) Except for fiscal year 2026-27, reflects October CALPADS. Excludes students enrolled in the Charter School. See "–Charter Schools" herein.
(2) Budgeted.
Source: Hawthorne School District.

Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (State Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, the State's charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from State and local education rules and regulations, except as specified in the legislation.

School districts have certain fiscal oversight and other responsibilities with respect to both affiliated independent and district-operated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. District-operated charter schools receive their funding from the District, and would be reflected in the District's audited financial statements.

There is one independent charter school operated by Los Angeles County Office of Education (Environmental Charter Middle School- Inglewood) ("ECMS-I") that is currently operating within the boundaries of the District, along with one District-operated charter high school (Hawthorne Math and Science Academy) (the "District-Operated Charter School"). ECMS-I's enrollment for grades 6-8 for fiscal year 2025-26 was 360. The following table shows enrollment figures in for the District-Operated Charter School for the past 10 fiscal years, and a budgeted enrollment figure for fiscal year 2026-27.

DISTRICT-OPERATED CHARTER SCHOOL ENROLLMENT
Fiscal Years 2016-17 through 2026-27
Hawthorne School District

Fiscal Year	Enrollment
2016-17	569
2017-18	561
2018-19	542
2019-20	580
2020-21	577
2021-22	557
2022-23	534
2023-24	548
2024-25	567
2025-26	573
2026-27[1]	573

[1] Budgeted.
Source: Hawthorne School District.

The District can make no representations regarding how many District students will transfer to charter schools, back to the District from the charter schools, or will transfer between the District and other school districts due to the presence of charter school in the future, and the District cannot predict the corresponding financial impacts of such transfers on the District.

Labor Relations

The District currently employs 470 full-time equivalent ("FTE") certificated employees and 421 FTE classified employees. District employees, except management and some part-time employees, are represented by two employee bargaining units, as noted below:

BARGAINING UNITS
Hawthorne School District

Labor Organization	Number of Employees in Organization	Contract Expiration Date
Hawthorne Educators and Teachers Association	433	June 30, 2028
Hawthorne Federation of Classified Employees, Local 6041	350	June 30, 2028

(1) The bargaining unit is working under the terms of its expired bargaining agreement.
Source: Hawthorne School District.

District Retirement Systems

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Municipal Advisor.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the California State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. Previously, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program increased significantly prior to the implementation of AB 1469 (defined below). In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS.

Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members ("PEPRA Members") hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees ("Classic Members") hired before the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2021, the contribution rate was 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2022, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2023, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2024, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2025, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2026, the contribution rate will be 10.250% for Classic Members and 10.205% for PEPRA Members.

Pursuant to AB 1469, K-14 school districts' contribution rate increased over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of $1.117 billion to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment was reflected in the June 30, 2020 actuarial valuation. Subsequently, the State's 2020-21 Budget redirected $2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22. The employer contribution rate has been 19.1% for each fiscal year since fiscal year 2022-23 and will be 19.1% in fiscal year 2026-27.

The District's contributions to STRS were $7,183,548 in fiscal year 2020-21, $8,350,434 in fiscal year 2021-22, $10,098,895 in fiscal year 2022-23, $10,432,032 in fiscal year 2023-24, and $11,119,332 in fiscal year 2024-25, and $11,618,158 (unaudited) in fiscal year 2025-26. The District has budgeted $11,719,105 for its contribution to STRS for fiscal year 2026-27.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2025-26 and 8.328% for fiscal year 2026-27. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS' unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the California Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2024 included 1,600 public agencies and 1,336 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. Pursuant to SB 90, the State Legislature appropriated $904 million to the Schools Pool, including transfers in fiscal years 2019-20 and 2020-21 to the Public Employees Retirement Fund to pay, in advance on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years, as well as additional amounts to be applied toward certain unfunded liabilities for K-14 school district employers. In June 2020, SB 90 was amended by Assembly Bill 84/Senate Bill 111 ("AB 84"). Under AB 84, $144 million of the State contribution under SB 90 was deemed to satisfy a portion of the State's required contribution in fiscal year 2019-20, and the amounts previously allocated toward future liabilities were redirected such that, $430 million will satisfy a portion of the employer contribution rate in fiscal year 2020-21, and $330 million will satisfy a portion of the employer contribution rate in fiscal year 2021-22. As a result of the payments made by the State pursuant to SB 90, as amended by AB 84, the employer contribution rate was 19.721% for fiscal year 2019-20, 20.7% in fiscal year 2020-21, and 22.91% for fiscal year 2021-22. The employer contribution rate was 25.37% in fiscal year 2022-23, 26.68% in fiscal year 2023-24, 27.05% in fiscal year 2024-25, 26.81% in fiscal year 2025-26, and will be 26.40% in fiscal year 2026-27. Classic Members contribute at a rate established by statute, which was 7% in fiscal years 2023-24 through 2025-26, while PEPRA Members contribute at an actuarially determined rate, which was 8% in fiscal years 2023-24 through 2025-26. For the Schools Pool Actuarial Valuation as of June 30, 2025 (the "2025 PERS Actuarial Valuation"), the total normal cost did not change by more than 1% relative to the basis currently in effect, therefore the PEPRA Member contribution rate will remain 8% in fiscal year 2026-27. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS $3,057,070 in fiscal year 2020-21, $3,651,768 in fiscal year 2021-22, $4,505,379 in fiscal year 2022-23, $5,248,111 in fiscal year 2023-24, and $5,453,562 in fiscal year 2024-25, and $5,794,933 (unaudited) in fiscal year 2025-26. The District has budgeted $6,156,462 for its contribution to PERS for fiscal year 2026-27.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) (1)
Fiscal Years 2013-14 through 2024-25

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)	Value of Trust Assets (AVA)(3)	Unfunded Liability (AVA)(3)
2013-14	$231,213	$179,749	$61,807	$158,495	$72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552
2022-23	359,741	299,148	85,571	273,155	86,586
2023-24	380,507	321,910	85,532	291,838	88,669
2024-25	395,525	349,525	75,038	313,533	81,992

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)(3)(4)	Unfunded Liability (AVA)(3)(4)
2013-14	$65,600	$56,838	$8,761	--	--
2014-15	73,325	56,814	16,511	--	--
2015-16	77,544	55,785	21,759	--	--
2016-17	84,416	60,865	23,551	--	--
2017-18	92,071	64,846	27,225	--	--
2018-19(5)	99,528	68,177	31,351	--	--
2019-20(6)	104,062	71,400	32,662	--	--
2020-21	110,507	86,519	23,988	--	--
2021-22	116,982	79,386	37,596	--	--
2022-23	124,924	84,292	40,632	--	--
2023-24	133,978	93,187	40,791	--	--
2024-25(7)	141,195	105,452	35,743	--	--

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) For the fiscal year 2020-21 actuarially determined contribution, the additional $430 million State contribution made pursuant to AB 84 did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.
(6) For the fiscal year 2021-22 actuarially required contribution, the impact of the additional $330 million State contribution made pursuant to AB 84 is directly reflected in the actuarially determined contribution, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.
(7) On April 13, 2026, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2026-27 and released certain actuarial information to be incorporated into the 2025 PERS Actuarial Valuation to be released later in 2026.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015) (the "2017 Experience Analysis"), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2007, through June 30, 2022) (the "2024 Experience Analysis"), on January 10, 2024, the STRS Board adopted a new set of actuarial assumptions that will be first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2023. The payroll growth assumption was decreased to 3.25% from 3.50% due to the projected need for fewer teachers due to projected declining enrollment in the State over the next 20 years, while the following actuarial assumptions remained unchanged since the CalSTRS Experience Analysis (spanning July 1, 2015 through July 1, 2018) (the "2020 Experience Analysis"): long-term investment return (7.0%), (ii) price inflation (2.75%), and (iii) wage growth (3.50%). Certain demographic assumptions were also updated, including changing the assumed life expectancy of STRS retirees to more closely reflect recent trends. The 2025 STRS Actuarial Valuation (defined below) continues using the Entry Age Normal Actuarial Cost Method.

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2025 (the "2025 STRS Actuarial Valuation") reports that, based on an actuarial value of assets, the unfunded actuarial obligation increased by approximately $6.7 billion since the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2024 (the "2024 STRS Actuarial Valuation") and the funded ratio increased by 2.6% to 79.3% over such time period. This decrease in unfunded actuarial obligation was primarily due to the investment experience of the last two years, while approximately $665 million of the decrease in the unfunded actuarial obligation was the result of the previous decision of the STRS Board to not reduce the contribution rates for both employers and the State. The funded ratio improved by 2.6% since the 2024 Valuation primarily due to investment returns above the 7.00% long-term investment return assumption for the last two years, as well as contributions made by employers and the State in fiscal year 2024-25 to eliminate their share of the unfunded actuarial obligation by 2046. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the "Unallocated UAO"). There was an increase in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from $140 million as of June 30, 2024 to $367 million as of June 30, 2025. The State is currently projected to eliminate its $4.0 billion share of the unfunded actuarial obligation by next year. As noted above, once the State has eliminated its share of the STRS unfunded actuarial obligation, the State supplemental contribution rate will immediately be reduced to zero.

According to the 2025 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2043 of 100.4%. This finding assumes adjustments to contribution rates in line with the funding plan and STRS Board policies, the future recognition of the currently deferred asset gains, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

On November 13, 2025, STRS released its 2025 Review of Funding Levels and Risks (the "STRS 2025 Review of Funding Levels and Risks"), which is based on the 2024 STRS Actuarial Valuation. The STRS 2025 Review of Funding Levels and Risks notes that funding projections have improved slightly since the completion of the June 30, 2023 actuarial valuation that was presented to the STRS Board in May 2025 in part due to the investment return earned by STRS in fiscal year 2024-25. Full funding is now projected to occur in 2043, three years ahead of schedule.

The key results and findings noted in the STRS 2025 Review of Funding Levels and Risks were that (i) current contribution rates for the State and employers are still projected to be sufficient to allow both the State and employers to eliminate their share of the STRS unfunded actuarial obligation by 2046 and contribution rate increases are not expected to be needed for fiscal year 2026–27, (ii) the state remains well ahead of schedule to eliminate its share of the STRS unfunded actuarial obligation (currently projected to be eliminated in 2027) and the State's share of the unfunded actuarial obligation could quickly increase if STRS were to experience a year in which the investment return is significantly below the assumed rate of return, (iii) the largest risk facing STRS' ability to reach full funding remains investment-related risk, especially considering the STRS Defined Benefit Program continues to mature, which will increase the system's sensitivity to investment experience, (iv) the risk that a negative investment return might impact STRS' ability to reach full funding is expected to increase once the state fully eliminates its share of STRS' unfunded actuarial obligation because of a trigger that will require the state contribution rate to immediately drop to 2.017%, potentially limiting STRS' ability to react to changing conditions because, once this occurs, the STRS Board would only be able to raise the State contribution rate by 0.5% each year, taking 12 years to simply return to the State contribution rate in place in the prior fiscal year, potentially resulting in a situation where the State can no longer eliminate its share of the unfunded liability by 2046, and (v) STRS' ability to reach full funding is dependent on meeting its current actuarial assumptions over the long term and uncertain investment markets and a potential decline in the number of teachers could put pressure on STRS' ability to meet some of its long-term actuarial assumptions and impact its ability to reach full funding.

The STRS 2025 Review of Funding Levels and Risks notes highlighted risks associated with longevity, the size of active membership and investments. STRS performs an in-depth study of mortality every four years as part of the experience analysis. The most recent analysis was completed in January 2024, at which time the STRS Board adopted new mortality assumptions. The STRS 2025 review of Funding Levels and Risks notes that, overall, STRS experienced greater mortality than projected under the previous assumptions. The analysis included data that was impacted by the COVID-19 pandemic, and it remains uncertain whether the COVID-19 virus will continue to impact mortality levels over the long term. The STRS Board adopted mortality rates that were slightly lower than what the data indicated, essentially not fully reflecting the impact of the pandemic. Regardless, the assumptions adopted did result in a slight decrease in life expectancy compared with the previous assumptions. To mitigate longevity risk, STRS uses a technique known as generational mortality. This technique anticipates future improvements in life expectancy in the funding of the system, recognizing potential improvements in mortality ahead of time.

In January 2024, the STRS Board adopted a change to the rate at which the payroll is assumed to increase, from 3.5% per year down to 3.25% per year. With this change, STRS now assumes that the population of active teachers will decline slowly over time. This assumption is key in determining contribution rates and whether the funding plan will successfully eliminate the current unfunded actuarial obligation by 2046 since STRS collects contributions as a percentage of payroll. If the active membership declines faster than anticipated and the payroll fails to grow as assumed, STRS' ability to make progress toward full funding could be at risk. Retirements from active teachers are expected to increase significantly over the next 10 years. Although an increase in retirements does not necessarily impact long-term funding, if schools do not replace the teachers who retire in the future, that could result in a reduction in the overall number of teachers and impact STRS' ability to reach full funding by 2046. With the anticipated decline in the number of children enrolled in K–12 public schools, the risk that the number of teachers may go down in the future is real and was one of the considerations when the STRS Board lowered the payroll growth assumption in January 2024.

After being fairly steady between 2010 and 2020, California experienced a significant decline in enrollment in both K–12 public schools and community colleges starting in 2020–21. Total enrollment in K–12 public schools in California dropped by approximately 310,000, or a 5% reduction, between 2019–20 and 2022–23. At the same time, the number of students enrolled at community colleges dropped by 310,000, or a 20% reduction, between the fall of 2019 and the fall of 2021. Since then, enrollment rebounded by almost 200,000 from the fall of 2021 to the fall of 2024. Still, enrollment in community colleges was down more than 7%, or about 115,000, since 2019. In November 2025, the State updated its projection of K–12 enrollments. The updated projection assumes the number of children enrolled in K–12 public schools will continue to decline for the next 20 years. The most recent projection anticipates a decline of approximately 10% over the next 10 years and approximately 16% over the next 20 years. If the anticipated reduction in enrollment results in a need for fewer teachers in California, it would impact the number of active teachers who participate in the STRS Defined Benefit Program and ultimately the growth in payroll. The situation could intensify if school districts were to face budget issues and rely either on layoffs or hiring freezes, leaving positions vacant as teachers leave or retire to reduce budget pressure. One countervailing force that could potentially offset some of the factors listed above would be reductions in class sizes.

The STRS 2025 Review of Funding Levels and Risks notes that investment volatility and the risk that STRS may not be able to meet its assumed investment return over the long-term remains the greatest risk facing STRS today. The combination of a maturing system and the decreasing timeframe of the funding plan only serves to increase this risk. STRS 2025 Review of Funding Levels and Risks notes that (i) when investment returns are below expectations, the unfunded actuarial obligation increases, requiring additional contributions to bridge the gap; however, the funding plan provides the STRS Board limited authority to increase contribution rates for both the state and employers through 2046 for this purpose; (ii) the State bears the greatest risk when it comes to investment volatility due to rules set in the funding plan that allocate the largest share of the assets to the State which results in its share of the unfunded actuarial obligation being the most sensitive to investment volatility; (iii) the specific restrictions the funding plan places on contribution rate increases for both the State and employers limit STRS' ability to respond to investment volatility, and (iv) since the funding plan expires in 2046, after which the STRS Board's authority to adjust contribution rates terminates, the time period over which to fund an existing and new unfunded actuarial obligation is declining each year.

On July 30, 2025, STRS reported a net return on investments of 8.5% for fiscal year 2024-25, ending with the total fund value of $367.7 billion as of June 30, 2025. The 2024-25 return keeps STRS on track long term, as the 5-,10-, 20-, and 30-year returns, including the 9.4% 5-year return, all surpass the actuarial assumption of 7.0%, despite inflation, rising interest rates and geopolitical uncertainty. In its news release reporting the fiscal year 2024-25 investment return, STRS noted that it is ahead of schedule in reaching full funding by 2046.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at

7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points (revised to two percentage points in 2017). On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%. On April 15, 2024, the PERS Board removed the automatic mechanism to reduce the discount rate and added a provision to the Funding Risk Mitigation Policy to bring an agenda item to the PERS Board for discussion if a funding risk mitigation event occurs.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies included a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 18, 2025 (the "2025 Experience Study"), the PERS Board approved new actuarial assumptions, including (i) maintaining the current 6.8% discount rate, (ii) increasing the inflation rate from 2.3% to 2.5% per year,

(iii) maintaining the assumed real wage inflation assumption to 0.5%, which results in an increase of total wage inflation of 2.80% to 3.0%, (iv) maintaining the payroll growth rate at 2.8%, and (v) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These actuarial assumptions will be incorporated into the actuarial valuation for fiscal year ending June 30, 2025 and first impacted contribution rates for school districts in fiscal year 2026-27. Based on the timing of this study, the member data used for the analysis, which runs through June 30, 2023, does include impacts of COVID-19. Due to the anomalies created by COVID-19, some of the COVID-19 data was excluded.

On November 15, 2021, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study which guided the fund's investment portfolio for the subsequent four years, retained the current 6.8% discount rate and approved adding 5% leverage to increase diversification. The new asset allocation took effect July 1, 2022 and impacted contribution rates for employers and PEPRA employees beginning in fiscal year 2022-23.

In November 2024, PERS released its 2024 Annual Review of Funding Levels and Risk (the "2024 PERS Funding Levels and Risk Report"), which provided a summary of the current funding levels of the system, the near-term outlook for required contributions and risks faced by the system in the near and long-term. The 2024 PERS Funding Levels and Risk Report notes that over the next several years there is the potential for various factors to either further increase required contributions or add additional financial strain on employers and their ability to make required contributions, including inflation and near-term economic turmoil. The 2024 PERS Funding Levels and Risk Report notes that over the last few years, price inflation has been significantly higher than the PERS long-term assumption of 2.3%, which can affect liability measures and investment returns in several ways and which can be difficult to quantify. The most direct impact of high inflation is that retirees can receive higher than expected cost-of-living adjustments and active employees can receive higher than expected salary increases, which could increase actuarial losses in the future. The 2024 PERS Funding Levels and Risk report concludes that, as of June 30, 2023, the PERS Retirement System had experienced a couple of years of investment returns below the expected return of 6.8%, and actuarial losses primarily due to high inflation which resulted in unexpected cost of living adjustments for retires and higher than expected member pay increases, which resulted in increased employer contributions along with further increases forecasted for the near future. Despite the strong investment return for the fiscal year ending June 30, 2024, the 2024 PERS Funding Levels and Risk Report notes that employer contributions are currently at relatively high levels due to large amounts of unfunded accrued liability and uncertainty within the economy suggests possible economic turmoil in the near future. The 2024 PERS Funding Levels and Risk Report concludes that the ability of employers to continue making required contributions to the system is the area of greatest concern.

On April 13, 2026, the PERS Board established the employer contribution rates for fiscal year 2026-27 and released information from the 2025 PERS Actuarial Valuation, ahead of its release date later in 2026. From June 30, 2024 to June 30, 2025, the funded status of the Schools Pool increased by 5.1% (from 69.6% to 74.7%) and the unfunded accrued liability decreased by approximately $5.0 billion. The primary driver of improvement was investment return greater than expected. Based on final assets as of June 30, 2025, the investment return for 2024-25 was 12.0% after reduction for administrative expenses, generating an actuarial investment gain of $4.9 billion. This gain will be amortized over 20 years with a five-year ramp, decreasing the employer contribution rate in 2026-27 by 0.49% of pay. Due to the five-year ramp, this impact will escalate each year until it reaches an estimated reduction of 2.16% of pay in 2030-31. Non-investment experience during fiscal year 2024-25, which includes both demographic experience and economic experience other than from investments, increased unfunded accrued liability by $0.6 billion, which will be amortized over 20 years, increasing the employer contribution rate by 0.19% in fiscal year 2026-27. Combined with a 0.17% decrease of the employer normal cost rate, the net effect of non-investment experience is an increase of 0.02% in the employer rate. Total payroll in 2024-25 increased by 6.6% over the prior year, compared with 2.8% expected. This served to reduce the employer contribution rate by 0.61% of pay in 2026-27 as the dollar amount of the unfunded liability contribution is divided by a larger payroll.

Assuming all actuarial assumptions are realized, including an assumed investment return of 6.80%, and no changes to assumptions, methods or benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from Classic Members to PEPRA Members, the projected contribution rate for fiscal year 2027-28 is 26.8%, 25.9% in fiscal year 2028-29, 25.1% in fiscal year 2029-30, 24.0% in fiscal year 2030-31, and 23.8% in fiscal year 2031-32. The actual investment return for fiscal year 2025-26 was not known at the time these projections were made. The projections above assume the investment return for that year will be 6.8%. If the actual investment return differs from 6.80%, the actual contribution requirements for the projected years will differ from those shown above.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For PEPRA Members, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2018, the District reported its proportionate shares of the net pension liabilities for the STRS and PERS programs to be $53,856,749 and $35,546,444, respectively. See also "APPENDIX B – 2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" herein.

Other Postemployment Benefits

Benefit Plan. The District administers a single-employer defined benefit other postemployment benefit plan (the "Plan") that provides medical benefits (the "Benefits") to eligible retirees. To be eligible, classified and certified employees must be 55 years old or older at retirement and have worked at least five years at the District. Benefits are paid until the retiree reaches 65 years of age. There are currently 65 retirees and beneficiaries currently receiving the Benefits, and 697 active Plan members who may become eligible to receive the Benefits in the future.

Funding Policy. The District's funding policy for the Benefits is based on the projected pay-as-you-go financing requirements. For fiscal years 2023-24 and 2024-25, the District recognized expenditures of $838,519.18 and $913,952.09, respectively, for the Benefits. The District contributed $822,456.66 (unaudited) towards the Benefits in fiscal year 2025-26 and budgets $732,000.00 as its contribution for fiscal year 2026-27.

Accrued Liability. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 74") and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The actuarial study, dated as of June 30, 2026 (the "Study"), concluded that, as of a July 1, 2026 valuation date, the Total OPEB Liability (the "TOL") with respect to such benefits, was $42,857,042, the Net OPEB Liability (the "NOL") was $42,857,042, and the Total OPEB Expense (the "TOE") to be $1,591,141. The District does not have a qualifying irrevocable trust, and therefore the Study does not report a Fiduciary Net Position (the "FNP"). The TOL is the amount of the actuarial present value of projected benefits payments attributable to employees' past service based on the actuarial cost method used. The FNP are the net assets (liability) of the qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the FNP. The TOE is the annual change in the District's NOL, with deferred recognition provided for certain items. For more information regarding the District's other post-employment benefit liability, see "APPENDIX B – 2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10" attached hereto for more information.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB Statement No. 74 replaces GASB Statement Nos. 43 and 57, and GASB Statement No. 75 replaces GASB Statement No. 45.

Most of GASB Statement No. 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the NOL, to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB Statement No. 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the TOL, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future FNP is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for employer fiscal years beginning after June 15, 2017. The District will first recognize GASB No. 74 and GASB No. 75 in their financial statements for fiscal year 2017-18. The full extent of the effect of the new standards on the District is not known at this time.

Risk Management

The District's risk management activities are recorded in the General Fund. Employee health and disability programs are administered by the General Fund through the purchase of commercial insurance. 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.

The District participates in two joint powers agreements ("JPAs"): Alliance of Schools for Cooperative Insurance Programs ("ASCIP") Joint Powers and Schools Excess Liability Fund ("SELF"). The District has contracted with ASCIP to provide workers' compensation, property, excess property, liability, excess liability, and cyber insurance coverage. The District has contracted with SELF to provide excess liability insurance coverage.

The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes. These entities have 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 entities and the District are included in the District's audited financial statements.

See "APPENDIX B – 2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Notes 12 and 15" attached hereto.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the fiscal year ended June 30, 2025 is shown below:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
General obligation bonds	$88,751,603	$1,939,997	$(3,680,000)	$87,011,600
Premium on general obligation bonds	1,814,937	--	(117,557)	1,697,380
Certificates of participation	9,980,000	--	(250,000)	9,730,000
Premium on issuance	652,368	--	(27,182)	625,186
Lease liability	192,579	56,591	(81,077)	168,093
Compensated absences	6,045,721	--	(114,621)	5,931,100
Total:	107,437,208	$1,996,588	$(4,270,437)	$105,163,359

Source: Hawthorne School District.

General Obligation Bonds. The District has issued general obligation bonds pursuant to four voter-approved authorizations, as well as two series of general obligation refunding bonds to refinance portions thereof. The following table shows the currently outstanding prior bond issuances of the District.

SUMMARY OF OUTSTANDING BONDED DEBT
Hawthorne School District

Issuance	Initial Principal Amount	Principal Currently Outstanding[(1)]	Date of Delivery
2002 General Obligation Bonds, Election of 1997, Series C	$3,504,844.30	$682,657.95	December 4, 2002
General Obligation Bonds, Election of 2004, 2005 Series B	5,108,625.25	754,006.45	December 20, 2005
General Obligation Bonds, Election of 2004, 2008 Series C	9,036,598.75	6,595,769.60	August 13, 2008
General Obligation Bonds, Election of 2008, 2012 Series B	13,331,769.80	8,521,769.80	May 8, 2012
2015 General Obligation Refunding Bonds, Series A	5,465,000.00	3,115,000.00	May 5, 2015
General Obligation Bonds, Election of 2018, Series A	35,000,000.00	33,740,000.00	March 7, 2019
General Obligation Bonds, Election of 2018, Series B	2,850,000.00	2,030,000.00	August 20, 2019
2019 General Obligation Refunding Bonds	5,495,000.00	4,145,000.00	August 20, 2019

(1) As of September 1, 2026
Source: Hawthorne School District.

On July 8, 2026, the District Board approved a resolution ordering an election on November 3, 2026 under the provisions of Proposition 39 and submitting to the District's voters a question of whether the District should be authorized to issue up to $110,000,000 of general obligation bonds for the purpose of repairing, constructing, and acquiring classrooms, sites, facilities, and equipment. If approved, such bonds would be payable from *ad valorem* property taxes levied on taxable property within the District.

ANNUAL DEBT SERVICE
General Obligation Bonds

Year Ending (August 1)	2004 Series B Bonds	2004 Series C Bonds	2008 Series B Bonds	2015 Series A Refunding Bonds	2018 Series A Bonds	2018 Series B Bonds	2019 Refunding Bonds	1997 Series C Bonds[(1)]	The Bonds	Total Annual Debt Service
2027	$365,000.00	$300,000.00	$773,092.50	$1,060,337.50	$1,560,400.00	$262,025.00	$531,450.00	$1,420,000.00		
2028	375,000.00	300,000.00	803,302.50	1,101,222.75	1,627,650.00	264,025.00	545,450.00	--		
2029	375,000.00	310,000.00	831,802.50	1,149,316.00	1,690,900.00	275,625.00	563,250.00	--		
2030	1,615,000.00	315,000.00	864,177.50	--	1,760,150.00	281,425.00	579,650.00	--		
2031	--	1,975,000.00	905,240.00	--	1,829,900.00	289,075.00	594,650.00	--		
2032	--	2,035,000.00	939,615.00	--	1,899,900.00	301,275.00	613,600.00	--		
2033	--	2,095,586.70	972,490.00	--	1,974,900.00	307,875.00	631,500.00	--		
2034	--	2,158,530.75	1,005,185.00	--	2,055,600.00	316,975.00	654,400.00	--		
2035	--	2,221,206.40	1,900,472.50	--	2,139,000.00	--	--	--		
2036	--	2,287,840.80	1,967,075.00	--	2,226,656.26	--	--	--		
2037	--	2,358,908.40	2,036,722.50	--	2,315,456.26	--	--	--		
2038	--	2,430,000.00	2,103,880.00	--	2,403,856.26	--	--	--		
2039	--	2,501,578.10	2,180,680.00	--	2,501,656.26	--	--	--		
2040	--	2,577,750.75	2,254,160.00	--	2,603,256.26	--	--	--		
2041	--	2,653,632.55	2,334,060.00	--	2,704,193.76	--	--	--		
2042	--	2,732,450.00	2,419,600.00	--	2,812,343.76	--	--	--		
2043	--	2,814,409.00	--	--	2,924,368.76	--	--	--		
2044	--	2,899,910.00	--	--	3,044,918.76	--	--	--		
2045	--	2,985,111.00	--	--	3,166,118.76	--	--	--		
2046	--	3,074,073.00	--	--	3,293,518.76	--	--	--		
2047	--	3,167,205.30	--	--	3,426,518.96	--	--	--		
2048	--	3,260,000.00	--	--	3,559,518.76	--	--	--		
Total	$2,730,000.00	$47,453,192.75	$24,291,555.00	$3,310,876.25	$53,520,781.58	$2,298,300.00	$4,713,950.00	$1,420,000.00		

(1) Matures November 1.
Source: Hawthorne School District.

2019 Certificates of Participation. On August 27, 2019, the District caused the execution and delivery of its 2019 Certificates, representing an aggregate principal amount of $10,870,000. The net proceeds of the 2019 Certificates were used to payoff the District's outstanding 2018 General Obligation Bond Anticipation Notes used to purchase a site and the improvements thereon currently used as the District's charter high school. The 2019 Certificates are payable from lease payments to be made by the District pursuant to a lease-purchase agreement by and between the District and the Public Property Financing Corporation of California. The following table shows future annual lease payments due with respect to the 2019 Certificates.

ANNUAL DEBT SERVICE REQUIREMENTS
Certificates of Participation[(1)]
Hawthorne School District

Year Ending (December 1)	2019 Certificates
2026	$576,056.26
2027	572,056.26
2028	572,556.26
2029	577,306.26
2030	571,056.26
2031	571,006.26
2032	570,656.26
2033	573,556.26
2034	570,800.00
2035	572,475.00
2036	571,075.00
2037	574,375.00
2038	572,225.00
2039	574,775.00
2040	571,875.00
2041	573,675.00
2042	575,025.00
2043	572,100.00
2044	573,900.00
2045	574,050.00
2046	573,750.00
2047	573,000.00
2048	576,800.00
Total	$13,184,150.08

Lease Liability. he District has entered into various agreements to lease copiers and other equipment. The District's liability for lease agreements is summarized below:

Leases	Leases Outstanding July 1, 2024	Additions	Payments	Leases Outstanding July 1, 2025
Copier lease	$192,579	--	$(70,868)	$121,711
Mail lease	--	$56,591	(10,209)	46,382
Total:	$192,579	$56,591	$(81,077)	$168,093

Copier Lease. The District entered an agreement to lease copiers for five years, beginning in March 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 $74,473. The annual interest rate charged on the lease is 2.25%. At June 30, 2025, the District has recognized a right-to-use leased asset of $123,154, net of accumulated amortization and a lease liability of $121,711 related to this agreement. During fiscal year 2024-25, the District recorded $70,375 in amortization expense and $3,605 in interest expense for the right to use of the copiers. There are no variable costs associated with this lease.

Mail Meter Lease. The District entered an agreement to lease a mail meter for five years, beginning in August 2024, with no successive term. Under the terms of the lease, the District paid the quarterly payments of $4,276, which amounted to total principal and interest costs of $12,828. The annual interest rate charged on the lease is 5.04%. At June 30, 2025, the District has recognized a right-to-use leased asset of $45,273, net of accumulated amortization and a lease liability of $46,382 related to this agreement. During fiscal year 2024-25, the District recorded $11,318 in amortization expense and $2,619 in interest expense for the right to use of the mail meter equipment. 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, 2025 are as follows:

Fiscal Year	Principal	Interest	Total
2026	$83,215	$4,086	$87,301
2027	60,522	1,954	62,476
2028	11,872	956	12,828
2029	12,484	343	12,827
Total:	$168,093	$7,339	$175,432

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TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar tax-exempt bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel’s opinion may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX A.

LIMITATION ON REMEDIES; BANKRUPTCY

General

State law contains certain safeguards to protect the financial solvency of school districts. See “DISTRICT FINANCIAL INFORMATION – Budget Process” herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the District or its Board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Security and Sources of Payment" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to finance or refinance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX E – LOS ANGELES COUNTY TREASURY POOL" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights

The proposed form of the approving opinion of Bond Counsel attached hereto as APPENDIX A is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Legality for Investment in California

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code, are eligible for security for deposits of public moneys in the State.

Information Reporting Requirements

Under Section 6049 of the Internal Revenue Code of 1986, as amended by the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"), interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2024-25 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Reports or the notices of material events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. Within the past five years, the District filed in a timely manner all annual reports and any required notices of certain events as required by its prior undertakings, pursuant to the Rule.

No Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2025, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 16, 2025 of Eide Bailly LLP (the "Auditor"), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Rating

Moody's has assigned a rating of "Aa3" to the Bonds. The rating reflects only the view of the rating agency, and any explanation of the significance of such rating should be obtained from such rating agency. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their rating on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any rating changes on the Bonds. See the caption "LEGAL MATTERS – Continuing Disclosure" below and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from Moody's prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to the website of Moody's, and official media outlets, for the most current rating changes with respect to the Bonds after the initial issuance thereof.

Considerations Regarding Bond Insurance

The original purchaser of the Bonds may elect to purchase municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due, which, if purchased, would be issued concurrently with the delivery of the Bonds.

In the event of a default in the payment of principal of or interest on the Bonds, when all or some becomes due, any Owner of such Bonds may have a claim under any municipal bond insurance policy (each, a "Policy") secured in connection with the Bonds. Such a Policy may not insure against redemption premium, if any, with respect to the Bonds.

In the event that the provider of such a Policy (an "Insurer") is unable to make payments of principal of or interest on the Bonds, as such payments become due under a Policy, such Bonds will be payable solely as otherwise described herein. In the event that an Insurer becomes obligated to make payments with respect to the Bonds, no assurance can be given that such event would not adversely affect the market price of such Bonds or the marketability or liquidity of such Bonds.

If a Policy is obtained, the long-term ratings on the Bonds will be dependent in part on the financial strength of the Insurer providing such a Policy, and its claim paying ability. Such Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of such an Insurer and of the ratings on the Bonds insured by such Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Bonds, or the marketability or liquidity for such Bonds.

None of the District, Municipal Advisor, or Underwriter have made independent investigations into the claims paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any such Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the County to levy and collect sufficient *ad valorem* property taxes to pay principal and interest on the Bonds, and the claims paying ability of any such Insurer, particularly over the life of the investment.

Underwriting

Pursuant to the terms of a Notice Inviting Proposals for Purchase of Bonds (the "Notice Inviting Proposals"), ________________ (the "Underwriter") will purchase all of the Bonds for a purchase price of $_________, which is equal to the initial principal amount of the Bonds of $_________, plus original issue premium of $_________, less $_________ of underwriting discount.

The Notice Inviting Proposals provides that the Underwriter will purchase all of the Bonds, if any are purchased. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners, beneficial or otherwise, of any of the Bonds. This Official Statement and the delivery thereof have been duly approved and authorized by the District.

HAWTHORNE SCHOOL DISTRICT

By: ______________________________

Dr. Brian Markarian
Superintendent

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth LLP, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form:

_________, 2026

Board of Trustees
Hawthorne School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $_________ Hawthorne School District Election of 2018 General Obligation Bonds, Series C (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a 55% vote of the qualified electors of the Hawthorne School District (the "District") voting at an election held on June 5, 2018, and a resolution of the Board of Trustees of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount.

Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income.

6. The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth LLP

APPENDIX B

2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

Financial Statements
June 30, 2025

Hawthorne School District

Independent Auditor's Report

To the 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 Hawthorne School District (the District), as of and for the year ended June 30, 2025, 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 Hawthorne School District, as of June 30, 2025, 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 Notes 1 and 16 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

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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 - CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the District's contributions - CalSTRS, and schedule of the District's contributions - CalPERS, 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 GAAS, 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 GAAS. 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 Information

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2025 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, 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.

Rancho Cucamonga, California
December 16, 2025

Hawthorne School District

Educational Excellence

This section of Hawthorne School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025, with comparative information for the year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- We reported an operating deficit of $2,323,023 which decreased the District's net position, from $42,957,900 (as restated) in the 2023-2024 school year to $40,634,877 in the 2024-2025 school year.

- In accordance with our overall targeted projections, the Local Control Funding Formula decreased revenues by approximately $2.3 million over the previous fiscal year.

- Declining enrollment combined with demographic changes to our unduplicated pupil count (UPP), continue to adversely impact the District's revenue.

- The District continues 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, and 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 remaining proceeds carefully with final projects that align with Bond language. These projects are focused in refreshing interior painting, landscaping improvements where necessary, signage and modernization of elevators/ramps where needed.

- The District remains committed to providing all students with access to essential technology, both in classrooms and at home. Every classroom is equipped with large interactive displays, and the District has continually upgraded its network capacity to support reliable access to curriculum materials and state testing.

- The District continued to expand its after-hours programs and extended learning opportunities during the year. The acquisition of two additional buses increased transportation capacity, allowing for a broader range of enrichment activities throughout the metropolitan area.

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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 unplanned 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 ensures ample resources are available to our school sites in order 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 2025-2026 school year. The District closely monitors enrollment trends and has projected no growth in ADA for the foreseeable future, with a gradual decline in enrollment expected to continue through 2030.

Solvency

The District must maintain a three percent Reserve for Economic Uncertainties. In 2024-25, 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 governmental 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 Governmental Funds 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 net position. 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 All 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 financial 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 $40,634,877 for the fiscal year ended June 30, 2025. Of this amount, $(89,814,350) was an unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use that net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2025	2024*
Assets		
Current and other assets	$ 140,029,135	$ 131,837,354
Capital assets	157,931,172	161,563,987
Total assets	297,960,307	293,401,341
Deferred outflows of resources	34,159,617	36,571,489
Liabilities		
Current liabilities	28,281,552	14,190,322
Long-term liabilities	242,076,410	251,429,873
Total liabilities	270,357,962	265,620,195
Deferred inflows of resources	21,127,085	16,294,220
Net Position		
Net investment in capital assets	83,495,771	87,150,490
Restricted	46,953,456	53,297,228
Unrestricted deficit	(89,814,350)	(92,389,303)
Total net position	$ 40,634,877	$ 48,058,415

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 16 for further information.

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 17. 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	
	2025	2024*
Revenues		
Program revenues		
Charges for services and sales	$ 117,165	$ 131,477
Operating grants and contributions	48,178,466	56,891,645
General revenues		
Federal and State aid not restricted	89,314,468	92,250,167
Property taxes	23,044,761	22,480,282
Other general revenues	6,656,477	5,661,961
Total revenues	167,311,337	177,415,532
Expenses		
Instruction-related	109,919,210	104,414,758
Pupil services	24,549,674	22,862,305
Administration	9,383,659	9,114,226
Plant services	16,412,915	16,471,637
All other services	9,368,902	9,741,603
Total expenses	169,634,360	162,604,529
Change in net position	$ (2,323,023)	$ 14,811,003

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. See Note 16 for further information.

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was $169,634,360. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $23,044,761.

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	
	2025	2024*	2025	2024*
Instruction-related	$ 109,919,210	$ 104,414,758	$ (82,494,559)	$ (69,446,721)
Pupil services	24,549,674	22,862,305	(11,747,436)	(9,915,521)
Administration	9,383,659	9,114,226	(8,118,382)	(7,588,816)
Plant services	16,412,915	16,471,637	(14,502,917)	(13,289,473)
All other services	9,368,902	9,741,603	(4,475,435)	(5,340,876)
Total	$ 169,634,360	$ 162,604,529	$ (121,338,729)	$ (105,581,407)

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. See Note 16 for further information.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $112,601,008, which is a decrease of $5,862,593 from last year.

	Balances and Activity			
Governmental Fund	July 1, 2024	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General	$ 93,741,679	$ 143,683,026	$ 153,176,941	$ 84,247,764
Building	2,705,245	177,067	2,124,553	757,759
Student Activity	190,846	77,412	111,495	156,763
Charter Schools	7,327,237	10,037,086	9,660,404	7,703,919
Child Development	-	1,126,299	1,052,711	73,588
Cafeteria	5,306,862	8,678,739	9,173,101	4,812,500
Deferred Maintenance	2,963,505	5,755,235	19,465	8,699,275
Capital Facilities	1,232,172	78,672	-	1,310,844
County School Facilities	8,220	433	-	8,653
Special Reserve Fund for Capital Outlay Projects	1,362	72	-	1,434
Bond Interest and Redemption	4,804,932	5,772,027	5,938,358	4,638,601
Foundation Permanent	181,541	9,571	1,204	189,908
Total	$ 118,463,601	$ 175,395,639	$ 181,258,232	$ 112,601,008

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

Throughout the year, the District updated its annual operating budget at nearly every Governing Board meeting. These adjustments were made to ensure the budget aligned with evolving educational priorities. The major required budget revisions are outlined below:

- First interim
- Second interim
- Year-end revisions

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the District had $157,931,172 in a broad range of capital assets (net of depreciation and amortization), including land, buildings, furniture, equipment, and right-to-use leased assets. This amount represents a net decrease (including additions, deductions, depreciation and amortization) of $3,632,815, or 2.3%, from last year (Table 4).

Table 4

	Governmental Activities	
	2025	2024
Land and construction in progress	$ 19,883,644	$ 20,263,847
Buildings and improvements	129,652,104	133,498,719
Furniture and equipment	8,226,997	7,607,892
Right-to-use leased assets	168,427	193,529
Total	$ 157,931,172	$ 161,563,987

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 $105,163,359 in outstanding long-term liabilities versus $102,336,693 from the prior year, an increase of $2,826,666. Those long-term liabilities consisted of:

Table 5

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	$ 87,011,600	$ 88,751,603
Premium on issuance	1,697,380	1,814,937
Certificates of participation	9,730,000	9,980,000
Premium on issuance	625,186	652,368
Lease liability	168,093	192,579
Compensated absences	5,931,100	945,206
Total	$ 105,163,359	$ 102,336,693

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 16 for further information.

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 $47,509,858 versus $47,771,957 from the prior year, a decrease of $262,099.

At year-end, the District has an aggregate net pension liability of $89,403,193 versus $101,321,223 from the prior year, a decrease of $11,918,030.

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 management and potential increases of health benefit costs.
- The unpredictable cost of Special Education services and programs.
- The declining enrollment trend the District continues to experience.
- Inflation.
- The state and federal economies remain highly uncertain, with current political rhetoric further intensifying this uncertainty.

ECONOMIC FACTORS AND NEXT YEAR BUDGETS AND RATES

In considering the District Budget for the 2025-2026 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 revenue increases are based purely on state COLA (cost of living adjustment), which is 2.30% in 2025-2026. For 2026-2027 and 2027-2028 the COLA is estimated at 3.02% and 3.42% respectively for the two projection years.

Known economic factors:

1. The District’s LCFF calculation was based on a projected enrollment of 6,167 with an estimated average daily attendance (ADA) of 5,797.98. Under the current funding formula, this generates a Funded ADA of 5,971.39, which is funded at approximately $15,721.87 per ADA.
2. The State continues to provide funding for Class Size Reduction, this funding is 10.4% of the base grant or approximately $1,067 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 Associate 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.

	Governmental Activities
Assets	
Deposits and investments	$ 127,589,563
Receivables	11,109,256
Stores inventories	347,000
Other current assets	882,066
Lease receivable	101,250
Capital assets not depreciated or amortized	19,883,644
Capital assets, net of accumulated depreciation and amortization	138,047,528
Total assets	297,960,307
Deferred Outflows of Resources	
Deferred charge on refunding	18,940
Deferred outflows of resources related to OPEB	3,196,908
Deferred outflows of resources related to pensions	30,943,769
Total deferred outflows of resources	34,159,617
Liabilities	
Accounts payable	24,206,739
Interest payable	954,675
Unearned revenue	3,120,138
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	6,432,311
OPEB liability due within one year	732,000
Long-term liabilities other than OPEB and pensions due in more than one year	98,731,048
Aggregate net other post employment benefits (OPEB) liability	46,777,858
Aggregate net pension liability	89,403,193
Total liabilities	270,357,962
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	9,623,061
Deferred inflows of resources related to pensions	11,402,774
Deferred inflows of resources related to leases	101,250
Total deferred inflows of resources	21,127,085
Net Position	
Net investment in capital assets	83,495,771
Restricted for	
Debt service	3,683,926
Capital projects	1,319,497
Educational programs	26,208,051
Other restrictions	15,741,982
Unrestricted deficit	(89,814,350)
Total net position	$ 40,634,877

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 92,619,441	$ 142	$ 23,206,380	$ (69,412,919)
Instruction-related activities				
Supervision of instruction	5,990,445	-	2,088,719	(3,901,726)
Instructional library, media, and technology	1,469,157	-	833,302	(635,855)
School site administration	9,840,167	-	1,296,108	(8,544,059)
Pupil services				
Home-to-school transportation	1,818,293	-	-	(1,818,293)
Food services	9,075,308	12,397	8,266,609	(796,302)
All other pupil services	13,656,073	-	4,523,232	(9,132,841)
Administration				
Data processing	2,109,283	-	87,860	(2,021,423)
All other administration	7,274,376	669	1,176,748	(6,096,959)
Plant services	16,412,915	426	1,909,572	(14,502,917)
Ancillary services	228,614	94,517	1,340	(132,757)
Community services	3,715,225	-	3,470,754	(244,471)
Enterprise services	52,680	-	-	(52,680)
Interest on long-term liabilities	4,334,405	-	-	(4,334,405)
Other outgo	1,037,978	9,014	1,317,842	288,878
Total governmental activities	$ 169,634,360	$ 117,165	$ 48,178,466	(121,338,729)
General Revenues and Subventions				
Property taxes, levied for general purposes				14,969,970
Property taxes, levied for debt service				5,560,029
Taxes levied for other specific purposes				2,514,762
Federal and State aid not restricted to specific purposes				89,314,468
Interest and investment earnings				5,589,703
Miscellaneous				1,066,774
Subtotal, general revenues and subventions				119,015,706
Change in Net Position				(2,323,023)
Net Position - Beginning, as previously reported				48,058,415
Adjustments (Note 16)				(5,100,515)
Net Position - Beginning, as restated				42,957,900
Net Position - Ending				$ 40,634,877

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	$ 97,931,217	$ 2,195,162	$ 27,463,184	$ 127,589,563
Receivables	8,929,130	23,033	2,157,093	11,109,256
Stores inventories	240,854	-	106,146	347,000
Other current assets	14,866	-	867,200	882,066
Lease receivable	101,250	-	-	101,250
Total assets	$ 107,217,317	$ 2,218,195	$ 30,593,623	$ 140,029,135
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 20,813,568	$ 1,460,436	$ 1,932,735	$ 24,206,739
Unearned revenue	2,054,735	-	1,065,403	3,120,138
Total liabilities	22,868,303	1,460,436	2,998,138	27,326,877
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	101,250	-	-	101,250
Fund Balances				
Nonspendable	246,854	-	974,146	1,221,000
Restricted	26,208,051	757,759	21,700,080	48,665,890
Committed	42,480,825	-	-	42,480,825
Assigned	10,718,425	-	4,921,259	15,639,684
Unassigned	4,593,609	-	-	4,593,609
Total fund balances	84,247,764	757,759	27,595,485	112,601,008
Total liabilities, deferred inflows of resources, and fund balances	$ 107,217,317	$ 2,218,195	$ 30,593,623	$ 140,029,135

Total Fund Balance - Governmental Funds		$ 112,601,008
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	$ 246,752,436	
Accumulated depreciation and amortization is	(88,821,264)	
Net capital assets		157,931,172
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.		(954,675)
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)	18,940	
Aggregate net OPEB liability	3,196,908	
Aggregate net pension liability	30,943,769	
Total deferred outflows of resources		34,159,617
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 OPEB liability	(9,623,061)	
Aggregate net pension liability	(11,402,774)	
Total deferred inflows of resources		(21,025,835)
Aggregate net pension liability is not due and payable in the current period, and are not reported as a liability in the funds.		(89,403,193)
The District’s aggregage net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(47,509,858)

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	$ (62,991,441)	
Certificates of participation	(9,730,000)	
Premium on issuance of general obligation bonds	(1,697,380)	
Premium on issuance of certificates of participation	(625,186)	
Lease liability	(168,093)	
Compensated absences	(5,931,100)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(24,020,159)	
Total long-term liabilities		$ (105,163,359)
Total net position - governmental activities		$ 40,634,877

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula (LCFF)	$ 93,590,322	$ -	$ 8,858,556	$ 102,448,878
Federal sources	6,103,141	-	5,745,505	11,848,646
Other state sources	35,186,620	-	4,649,168	39,835,788
Other local sources	8,180,796	177,067	7,560,038	15,917,901
Total revenues	143,060,879	177,067	26,813,267	170,051,213
Expenditures				
Current				
Instruction	87,715,232	-	6,756,449	94,471,681
Instruction-related activities				
Supervision of instruction	5,753,756	-	143,645	5,897,401
Instructional library, media, and technology	1,324,306	-	136,585	1,460,891
School site administration	8,945,967	-	964,936	9,910,903
Pupil services				
Home-to-school transportation	1,751,012	-	-	1,751,012
Food services	44,101	-	8,820,003	8,864,104
All other pupil services	12,769,288	-	758,779	13,528,067
Administration				
Data processing	1,842,355	-	-	1,842,355
All other administration	6,820,316	-	593,546	7,413,862
Plant services	15,962,369	98,906	679,485	16,740,760
Ancillary services	20,067	-	212,604	232,671
Community services	3,715,225	-	-	3,715,225
Other outgo	1,037,978	-	-	1,037,978
Enterprise services	-	-	53,469	53,469
Facility acquisition and construction	99,836	2,025,647	333,323	2,458,806
Debt service				
Principal	331,077	-	3,680,000	4,011,077
Interest and other	321,777	-	2,258,358	2,580,135
Total expenditures	148,454,662	2,124,553	25,391,182	175,970,397
Excess (Deficiency) of Revenues over Expenditures	(5,393,783)	(1,947,486)	1,422,085	(5,919,184)
Other Financing Sources (Uses)				
Transfers in	565,556	-	4,722,279	5,287,835
Other sources - leases	56,591	-	-	56,591
Transfers out	(4,722,279)	-	(565,556)	(5,287,835)
Net Financing Sources (Uses)	(4,100,132)	-	4,156,723	56,591
Net Change in Fund Balances	(9,493,915)	(1,947,486)	5,578,808	(5,862,593)
Fund Balance - Beginning	93,741,679	2,705,245	22,016,677	118,463,601
Fund Balance - Ending	$ 84,247,764	$ 757,759	$ 27,595,485	$ 112,601,008

Total Net Change in Fund Balances - Governmental Funds		$ (5,862,593)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlay 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 expense in the Statement of Activities.		
This is the amount by which depreciation and amortization expense exceeds capital outlay in the period.		
Capital outlay	$ 3,183,656	
Depreciation and amortization expense	(6,816,471)	
Net expense adjustment		(3,632,815)
The District issued capital appreciation general obligation bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(1,939,997)
Right-to-use leased assets acquired this year were financed with leases. 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.		(56,591)
In the Statement of Activities, certain operating expenses, such as compensated absences 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 compensated absences earned and used.		114,621
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/inflows of resources and aggregate net pension liability during the year.		5,591,084
In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources and aggregate net OPEB liability during the year.		(733,536)

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Premium amortization	$	144,739
Deferred charge on refunding amortization		(3,156)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds		3,680,000
Certificates of participation		250,000
Lease liability		81,077
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.		44,144
Change in net position of governmental activities	$	(2,323,023)

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.

Other Related Entities

Charter School The District has approved a charter for the Hawthorne Mathematics and Science Technology Academy charter school pursuant to *Education Code* Section 47605. The Hawthorne Mathematics and Science Technology Academy is operated by the District, and its financial activities are presented in the Charter School special revenue fund. The Hawthorne Mathematics and Science Technology Academy is operated by the District and not considered a component unit 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 out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into a single fund category: governmental.

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 $29,466.

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).

Capital Project Funds The Capital Project funds are used to account for 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 17070.10 et seq.).

- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*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 by the District (*Education Code* Sections 15125-15262).

Permanent Funds The Permanent funds were introduced as part of the governmental financial reporting model established by GASB Statement No. 34 to account for permanent foundations that benefit the District.

- **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.

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 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 of capital assets and amortization of leased assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs, 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 and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. 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 the 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 Balances 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 financial statements 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 financial 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. Fair values of investments in county treasury investment pools are determined by the program sponsor.

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 are not required to be categorized within the fair value hierarchy.

Stores Inventories

Stores 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, Depreciation, and Amortization

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.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. 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 is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years. Land is not depreciated.

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, 2025.

Right-to-use leased assets are recognized at the lease commencement date and represent the District's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period is 5 years.

Lease Receivable

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.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net position. For governmental funds, a liability for 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 not paid for any sick leave balance at termination of employment or at any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 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. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

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 governmental 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 and Issuance Costs

Debt premiums and debt issuance costs related to prepaid insurance are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums, as well as issuance costs related to prepaid insurance costs, 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 until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, OPEB, and pension-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, OPEB, and pension-related items.

Pensions

For purposes of measuring the aggregate net pension liability, 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 aggregate 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 aggregate net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. The District recognizes a lease liability in the government-wide financial statements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the District.

Fund Balances - Governmental Funds

As of June 30, 2025, 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

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position related to net of investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, 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 $46,953,456 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 the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, 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 $1,541,252 in parcel tax receipts.

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 16.

Implementation of GASB Statement No. 102

As of June 30, 2025, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the District's financial statements as a result of the implementation of this standard.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental funds	$ 127,589,563

Deposits and investments as of June 30, 2025, consisted of the following:

Cash on hand and in banks	$ 185,040
Cash in revolving	6,800
Investments	127,397,723
Total deposits and investments	$ 127,589,563

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 accompanying 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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California *Government Code*. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

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	$ 127,397,723	556

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, 2025.

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, 2025, the District's bank balance of $1,580,690 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, 2025, 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	$ 1,452,156	$ -	$ 1,257,201	$ 2,709,357
State Government				
Categorical aid	5,710,723	-	721,019	6,431,742
Lottery	435,792	-	47,852	483,644
Local Government				
Interest	907,108	23,033	127,433	1,057,574
Other local sources	423,351	-	3,588	426,939
Total	$ 8,929,130	$ 23,033	$ 2,157,093	$ 11,109,256

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	$ 19,806,409	$ -	$ -	$ 19,806,409
Construction in progress	457,438	77,235	(457,438)	77,235
Total capital assets not being depreciated or amortized	20,263,847	77,235	(457,438)	19,883,644
Capital assets being depreciated and amortized				
Land improvements	3,638,515	149,322	-	3,787,837
Buildings and improvements	205,375,676	1,310,317	-	206,685,993
Furniture and equipment	13,938,869	2,047,629	-	15,986,498
Right-to-use leased equipment	351,873	56,591	-	408,464
Total capital assets being depreciated and amortized	223,304,933	3,563,859	-	226,868,792
Total capital assets	243,568,780	3,641,094	(457,438)	246,752,436
Accumulated depreciation and amortization				
Land improvements	(2,589,498)	(316,170)	-	(2,905,668)
Buildings and improvements	(72,925,974)	(4,990,084)	-	(77,916,058)
Furniture and equipment	(6,330,977)	(1,428,524)	-	(7,759,501)
Right-to-use leased equipment	(158,344)	(81,693)	-	(240,037)
Total accumulated depreciation and amortization	(82,004,793)	(6,816,471)	-	(88,821,264)
Net depreciable and amortizable capital assets	141,300,140	(3,252,612)	-	138,047,528
Governmental activities capital assets, net	$ 161,563,987	$ (3,175,377)	$ (457,438)	$ 157,931,172

Depreciation and amortization expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 3,852,573
Supervision of instruction	250,160
Instructional library, media, and technology	62,329
School site administration	448,078
Home-to-school transportation	72,089
Food services	389,058
All other pupil services	540,546
Data processing	327,368
All other administration	156,148
Plant services	718,122
Total depreciation and amortization expense governmental activities	$ 6,816,471

Note 5 - Lease Receivable

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

Lease Receivable	Outstanding July 1, 2024	Addition	Deletion	Outstanding June 30, 2025
LEAP Facility Lease	$ 182,250	$ -	$ (81,000)	$ 101,250

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 $81,000 in lease revenue and $4,573 in interest revenue related to this agreement. At June 30, 2025, the District recorded $101,250 in lease receivable and deferred inflows of resources for this arrangement. 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, 2025, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 565,556	$ 565,556
Non-Major Governmental Funds	4,722,279	-	4,722,279
Total	$ 4,722,279	$ 565,556	$ 5,287,835

The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for Deferred Maintenance projects.	$ 4,722,279
The Charter Schools Non-Major Governmental Fund transferred to the General Fund for Certificates of Participation costs.	565,556
Total	$ 5,287,835

Note 7 - Accounts Payable

Accounts payable at June 30, 2025, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 10,545,506	$ -	$ 712,745	$ 11,258,251
State LCFF apportionment	4,192,965	-	513,042	4,706,007
Salaries and benefits	6,075,097	-	706,948	6,782,045
Construction payables	-	1,460,436	-	1,460,436
Total	$ 20,813,568	$ 1,460,436	$ 1,932,735	$ 24,206,739

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2025, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal categorical aid	$ 306,194	$ -	$ 306,194
State categorical aid	1,748,541	1,019,663	2,768,204
Other local	-	45,740	45,740
Total	$ 2,054,735	$ 1,065,403	$ 3,120,138

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, 2024 as Restated	Additions	Deductions	Balance June 30, 2025	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 88,751,603	$ 1,939,997	$ (3,680,000)	$ 87,011,600	$ 3,790,000
Premium on issuance	1,814,937	-	(117,557)	1,697,380	-
Certificates of participation	9,980,000	-	(250,000)	9,730,000	265,000
Premium on issuance	652,368	-	(27,182)	625,186	-
Lease liability	192,579	56,591	(81,077)	168,093	83,215
Compensated absences	6,045,721	-	(114,621)	5,931,100	2,294,096
Total	$ 107,437,208	$ 1,996,588	$ (4,270,437)	$ 105,163,359	$ 6,432,311

The change in compensated absences is presented as a net change.

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. 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, 2024	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2025
2002	2028	2.00 - 5.45%	$ 3,504,844	$ 4,967,029	$ 243,280	$ (1,340,000)	$ 3,870,309
2005	2031	3.86 - 5.14%	5,108,625	3,334,417	153,683	(610,000)	2,878,100
2008	2049	2.36 - 6.15%	9,036,599	18,514,926	1,282,049	(285,000)	19,511,975
2009	2027	2.61 - 6.00%	6,665,001	1,130,926	55,275	(385,000)	801,201
2012	2043	2.00 - 5.35%	13,331,770	14,794,305	205,710	(140,000)	14,860,015
2015	2030	3.49%	5,465,000	5,050,000	-	(650,000)	4,400,000
2019	2049	3.00 - 5.00%	35,000,000	34,120,000	-	(65,000)	34,055,000
2019	2035	2.00 - 4.00%	2,850,000	2,545,000	-	(155,000)	2,390,000
2019	2035	2.00 - 4.00%	5,495,000	4,295,000	-	(50,000)	4,245,000
				$ 88,751,603	$ 1,939,997	$ (3,680,000)	$ 87,011,600

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, 2025, the principal balance outstanding was $3,870,309.

The bonds mature through 2028 as follows:

Fiscal Year	Principal	Accreted Interest	Total
2026	$ 1,339,092	$ 25,908	$ 1,365,000
2027	1,291,547	103,453	1,395,000
2028	1,239,670	180,330	1,420,000
Total	$ 3,870,309	$ 309,691	$ 4,180,000

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, 2025, the principal balance outstanding was $2,878,100.

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Accreted Interest	Total
2026	$ 363,406	$ 1,594	$ 365,000
2027	344,505	20,495	365,000
2028	326,399	38,601	365,000
2029	317,530	57,470	375,000
2030	300,491	74,509	375,000
2031	1,225,769	389,231	1,615,000
Total	$ 2,878,100	$ 581,900	$ 3,460,000

Election 2004, Series C General Obligation Bonds

In July 2008, the District issued $9,036,599 accreting to $61,840,000 in Election 2004, Series C General Obligation Bonds. Proceeds from the bonds 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, 2025, the principal balance outstanding was $ 19,511,975.

The bonds mature through 2049 as follows:

Fiscal Year	Principal	Accreted Interest	Total
2026	$ 273,573	$ 16,427	$ 290,000
2027	247,678	47,322	295,000
2028	224,171	75,829	300,000
2029	199,506	100,494	300,000
2030	183,470	126,530	310,000
2031-2035	4,790,683	3,788,434	8,579,117
2036-2040	5,560,333	6,239,201	11,799,534
2041-2045	4,738,849	8,939,303	13,678,152
2046-2049	3,293,712	9,192,678	12,486,390
Total	$ 19,511,975	$ 28,526,218	$ 48,038,193

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, 2025, the principal balance outstanding was $801,201.

The bonds mature through 2027 as follows:

Fiscal Year	Principal	Accreted Interest	Total
2026	$ 402,544	$ 2,456	$ 405,000
2027	398,657	26,343	425,000
Total	$ 801,201	$ 28,799	$ 830,000

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, 2025, the principal balance outstanding was $14,860,015. Unamortized premium received on issuance of the bonds amount to $170,195 as of June 30, 2025.

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Accreted Interest	Current Interest to Maturity	Total
2026	$ 170,000	$ -	$ 542,774	$ 712,774
2027	205,000	-	536,552	741,552
2028	240,000	-	648,197	888,197
2029	40,000	-	762,552	802,552
2030	70,000	-	760,490	830,490
2031-2035	445,000	-	3,714,854	4,159,854
2036-2040	4,000,015	459,985	2,680,674	7,140,674
2041-2043	9,690,000	-	513,240	10,203,240
Total	$ 14,860,015	$ 459,985	$ 10,159,333	$ 25,479,333

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, 2025, the principal balance outstanding was $4,400,000.

The bonds mature through 2030 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	$ 845,000	$ 146,493	$ 991,493
2027	920,000	116,392	1,036,392
2028	995,000	83,586	1,078,586
2029	1,080,000	48,162	1,128,162
2030	560,000	9,772	569,772
Total	$ 4,400,000	$ 404,405	$ 4,804,405

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, 2025, the principal balance outstanding was $34,055,000. Unamortized premium received on issuance of the bonds amount to $938,015 as of June 30, 2025.

The bonds mature through 2049 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	$ 125,000	$ 1,318,025	$ 1,443,025
2027	190,000	1,310,150	1,500,150
2028	255,000	1,299,025	1,554,025
2029	335,000	1,284,275	1,619,275
2030	415,000	1,265,525	1,680,525
2031-2035	3,530,000	5,914,875	9,444,875
2036-2040	6,495,000	4,966,252	11,461,252
2041-2045	10,485,000	3,415,514	13,900,514
2046-2049	12,225,000	982,615	13,207,615
Total	$ 34,055,000	$ 21,756,256	$ 55,811,256

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, 2025, the principal balance outstanding was $2,390,000. Unamortized premium received on issuance of the bonds amount to $210,669 as of June 30, 2025.

The bonds mature through 2035 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	$ 175,000	$ 72,925	$ 247,925
2027	185,000	65,725	250,725
2028	200,000	58,025	258,025
2029	210,000	49,825	259,825
2030	230,000	41,025	271,025
2031-2035	1,390,000	88,412	1,478,412
Total	$ 2,390,000	$ 375,937	$ 2,765,937

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, 2025, the principal balance outstanding was $4,245,000 and deferred charges on refunding was $18,940. Unamortized premium received on issuance of the bonds amount to $378,501 as of June 30, 2025.

The bonds mature through 2035 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	$ 50,000	$ 134,450	$ 184,450
2027	50,000	132,450	182,450
2028	400,000	123,450	523,450
2029	430,000	106,850	536,850
2030	465,000	88,950	553,950
2031-2035	2,850,000	183,975	3,033,975
Total	$ 4,245,000	$ 770,125	$ 5,015,125

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 2.00% to 5.00%. Proceeds from the Certificates were used to pay off the District's 2018 Bond Anticipation Notes. At June 30, 2025, the principal balance outstanding was $9,730,000. Unamortized premium received on issuance of the certificates of participation amount to $625,186 as of June 30, 2025.

The certificates mature through 2049 as follows:

Fiscal Year	Principal	Current Interest	Total
2026	$ 265,000	$ 302,681	$ 567,681
2027	280,000	289,056	569,056
2028	290,000	274,806	564,806
2029	305,000	259,931	564,931
2030	325,000	244,181	569,181
2031-2035	1,770,000	1,065,284	2,835,284
2036-2040	2,020,000	814,625	2,834,625
2041-2045	2,340,000	492,663	2,832,663
2046-2049	2,135,000	130,575	2,265,575
Total	$ 9,730,000	$ 3,873,802	$ 13,603,802

Lease Liability

The District has entered into various agreements to lease copiers and other equipment. The District's liability for lease agreements is summarized below:

Leases	Leases Oustanding July 1, 2024	Additions	Payments	Leases Oustanding June 30, 2025
Copier lease	$ 192,579	$ -	$ (70,868)	$ 121,711
Mail meter	-	56,591	(10,209)	46,382
	$ 192,579	$ 56,591	$ (81,077)	$ 168,093

Copier Lease

The District entered an agreement to lease copiers for five years, beginning in March 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 $74,473. The annual interest rate charged on the lease is 2.25%. At June 30, 2025, the District has recognized a right-to-use leased asset of $123,154, net of accumulated amortization and a lease liability of $121,711 related to this agreement. During the fiscal year, the District recorded $70,375 in amortization expense and $3,605 in interest expense for the right to use of the copiers. There are no variable costs associated with this lease.

Mail Meter

The District entered an agreement to lease a mail meter for five years, beginning in August 2024, with no successive term. Under the terms of the lease, the District paid the quarterly payments of $4,276, which amounted to total principal and interest costs of $12,828. The annual interest rate charged on the lease is 5.04%. At June 30, 2025, the District has recognized a right-to-use leased asset of $45,273, net of accumulated amortization and a lease liability of $46,382 related to this agreement. During the fiscal year, the District recorded $11,318 in amortization expense and $2,619 in interest expense for the right to use of the mail meter equipment. 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, 2025 are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 83,215	$ 4,086	$ 87,301
2027	60,522	1,954	62,476
2028	11,872	956	12,828
2029	12,484	343	12,827
Total	$ 168,093	$ 7,339	$ 175,432

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

For the fiscal year ended June 30, 2025, the District reported an 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	$ 47,198,053	$ 3,196,908	$ 9,623,061	$ 804,425
Medicare Premium Payment (MPP) Program	311,805	-	-	(70,889)
Total	$ 47,509,858	$ 3,196,908	$ 9,623,061	$ 733,536

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 July 1, 2024, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	59
Active employees	678
Total	737

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 $50 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.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District and the District's bargaining units. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually by management and the District's governing board. For the measurement period of June 30, 2025, the District paid $909,298 in benefits. Additionally, the District recognized a reduction in the total OPEB liability of $653,852 associated with the implicit rate subsidy.

Total OPEB Liability of the District

The District's total OPEB liability of $47,198,053 was measured as of June 30, 2025, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions

The total OPEB liability as of June 30, 2025 was determined by applying update procedures to the financial reporting actuarial valuation as of July 1, 2024 and rolling forward the total OPEB liability to June 30, 2025. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary increases	3.25%
Discount rate	4.81%
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 substantially consistent with the assumptions utilized in the CalSTRS and CalPERS valuations. CalSTRS mortality rates are from the 2024 experience study and the CalPERS mortality rates are from the 2021 experience study.

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actual experience study for the period July 1, 2023 to June 30, 2024.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2024	$ 47,389,263
Service cost	1,743,907
Interest	2,035,941
Changes of assumptions	(2,407,908)
Benefit payments	(1,563,150)
Net change in total OPEB liability	(191,210)
Balance, June 30, 2025	$ 47,198,053

The discount rate changed from 4.21% to 4.81% since the previous valuation. There were no changes in benefit terms 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:

Discount Rate	Total OPEB Liability
1% decrease (3.81%)	$ 50,959,703
Current discount rate (4.81%)	47,198,053
1% increase (5.81%)	43,716,727

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 cost trend rate:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (6.00%)	$ 42,402,053
Current healthcare cost trend rate (7.00%)	47,198,053
1% increase (8.00%)	52,731,687

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

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,491,009	$ 3,176,975
Changes of assumptions	1,705,899	6,446,086
Total	$ 3,196,908	$ 9,623,061

The deferred outflows/(inflows) of resources for changes of assumptions and differences between expected and actual experience will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 7.98 years, and the deferred outflows/(inflows) of resources will recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (1,412,273)
2027	(1,442,128)
2028	(1,524,989)
2029	(682,664)
2030	(767,528)
Thereafter	(596,571)
Total	$ (6,426,153)

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, 2023 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/forms-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, 2025, the District reported a liability of $311,805 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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 ending June 30, 2024 and June 30, 2023, respectively, was 0.1170%, and 0.1261%, resulting in a net decrease in the proportionate share of 0.0091%.

For the year ended June 30, 2025, the District recognized OPEB expense of $(70,889).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2023	June 30, 2022
Experience Study	July 1, 2007 through June 30, 2022	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.93%	3.65%
Medicare Part A Premium Cost Trend Rate	5.00%	4.50%
Medicare Part B Premium Cost Trend Rate	6.50%	5.40%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 154 or an average of 0.12% of the potentially eligible population (132,333).

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, 2024, 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

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

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 (2.93%)	$ 336,429
Current discount rate (3.93%)	311,805
1% increase (4.93%)	290,151

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 current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	$ 288,854
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	311,805
1% increase (6.00% Part A and 7.50% Part B)	337,428

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	240,854	-	106,146	347,000
Deposit on land			867,200	867,200
Total nonspendable	246,854	-	974,146	1,221,000
Restricted				
Legally restricted programs	26,208,051	-	15,741,982	41,950,033
Food service	-	-	-	-
Capital projects	-	757,759	1,319,497	2,077,256
Debt services	-	-	4,638,601	4,638,601
Total restricted	26,208,051	757,759	21,700,080	48,665,890
Committed				
Other	42,480,825	-	-	42,480,825
Assigned				
Capital projects	-	-	1,434	1,434
Budgetary contigency	10,718,425	-	4,288,898	15,007,323
Lottery	-	-	630,927	630,927
Total assigned	10,718,425	-	4,921,259	15,639,684
Unassigned				
Reserve for economic uncertainties	4,593,609	-	-	4,593,609
Total	$ 84,247,764	$ 757,759	$ 27,595,485	$ 112,601,008

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 15 for additional information regarding the JPA's. Excess property and liability coverage is obtained through Alliance for Schools for Cooperative Insurance Programs (ASCIP).

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

Note 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, 2025, the District reported its proportionate share of the aggregate 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	$ 53,856,749	$ 20,067,766	$ 10,506,627	$ 4,436,025
CalPERS	35,546,444	10,876,003	896,147	6,545,785
Total	$ 89,403,193	$ 30,943,769	$ 11,402,774	$ 10,981,810

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, 2023, 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: https://www.calstrs.com/forms-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, 2025, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
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, 2025, are presented above and the District's total contributions were $11,119,332.

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

At June 30, 2025, 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	$ 53,856,749
State's proportionate share of the net pension liability	24,709,662
Total	$ 78,566,411

The net pension liability was measured as of June 30, 2024. 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 member districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, was 0.0802% and 0.0853%, respectively resulting in a net decrease in the proportionate share of 0.0051%.

For the year ended June 30, 2025, the District recognized pension expense of $4,436,025. In addition, the District recognized pension expense and revenue of $2,249,526 for support provided by the State. At June 30, 2025, 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	$ 11,119,332	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,620,789	4,255,964
Differences between projected and actual earnings on pension plan investments	-	217,309
Differences between expected and actual experience in the measurement of the total pension liability	6,091,892	2,355,125
Changes of assumptions	235,753	3,678,229
Total	$ 20,067,766	$ 10,506,627

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
2026	$ (3,610,403)
2027	4,348,267
2028	(354,766)
2029	(600,407)
Total	$ (217,309)

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
2026	$ (623,189)
2027	(16,792)
2028	17,255
2029	149,648
2030	(123,512)
Thereafter	(744,294)
Total	$ (1,340,884)

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, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
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 is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 2024 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. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

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%)	$ 95,793,533
Current discount rate (7.10%)	53,856,749
1% increase (8.10%)	18,837,794

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, 2023 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 provisions and benefits in effect at June 30, 2025, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	27.05%	27.05%

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, 2025, are presented above and the total District contributions were $5,453,562.

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

As of June 30, 2025, the District reported a net pension liability for its proportionate share of the CalPERS net pension liability totaling $35,546,444. The net pension liability was measured as of June 30, 2024. 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, 2024 and June 30, 2023, respectively was 0.0995% and 0.1005%, resulting in a net decrease in the proportionate share of 0.0010%.

For the year ended June 30, 2025, the District recognized pension expense of $6,545,785. At June 30, 2025, 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	$ 5,453,562	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	275,922	641,742
Differences between projected and actual earnings on pension plan investments	1,380,774	-
Differences between expected and actual experience in the measurement of the total pension liability	2,980,049	254,405
Changes of assumptions	785,696	-
Total	$ 10,876,003	$ 896,147

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
2026	$ (11,903)
2027	2,146,789
2028	(317,214)
2029	(436,898)
Total	$ 1,380,774

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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ 1,701,433
2027	847,869
2028	596,218
Total	$ 3,145,520

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, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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 - cap-weighted	30%	4.54%
Global equity non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments 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 (5.90%)	$ 52,804,539
Current discount rate (6.90%)	35,546,444
1% increase (7.90%)	21,289,884

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 $4,989,402 (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, 2025.

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, 2025.

Construction Commitments

As of June 30, 2025, the District had approximately $481,000 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, 2025, the District made a payment of $2,425,147 to ASCIP.

Note 16 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences current portion and compensated absences noncurrent portion were increased by $2,023,616 and $3,076,899, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

	Governmental Activities
Net Position, Beginning, as previously reported on July 1, 2024	$ 48,058,415
Change in accounting principle - adoption of GASB Statement No. 101	(5,100,515)
Net Position, Beginning, as Restated on July 1, 2024	$ 42,957,900

Required Supplementary Information
June 30, 2025

Hawthorne School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 92,809,579	$ 93,550,034	$ 93,590,322	$ 40,288
Federal sources	5,201,221	7,552,586	6,103,141	(1,449,445)
Other state sources	32,662,870	35,937,828	35,186,620	(751,208)
Other local sources	1,831,983	5,397,646	8,180,796	2,783,150
Total revenues [1]	132,505,653	142,438,094	143,060,879	622,785
Expenditures				
Current				
Certificated salaries	52,245,945	56,030,215	54,285,526	1,744,689
Classified salaries	20,006,644	21,222,889	20,136,937	1,085,952
Employee benefits	38,106,692	41,618,268	39,197,740	2,420,528
Books and supplies	9,803,287	14,898,651	10,041,747	4,856,904
Services and operating expenditures	21,934,040	26,840,967	22,915,374	3,925,593
Other outgo	1,674,147	1,498,617	572,950	925,667
Capital outlay	-	429,338	651,534	(222,196)
Debt service				
Debt service - principal	327,807	315,557	331,077	(15,520)
Debt service - interest and other	240,000	250,000	321,777	(71,777)
Total expenditures [1]	144,338,562	163,104,502	148,454,662	14,649,840
Excess (Deficiency) of Revenues Over Expenditures	(11,832,909)	(20,666,408)	(5,393,783)	15,272,625
Other Financing Sources (Uses)				
Transfers in	565,556	565,556	565,556	-
Other sources - leases	-	-	56,591	56,591
Transfers out	(319,938)	(4,722,279)	(4,722,279)	-
Net Financing Sources (Uses)	245,618	(4,156,723)	(4,100,132)	56,591
Net Change in Fund Balances	(11,587,291)	(24,823,131)	(9,493,915)	15,329,216
Fund Balance - Beginning	93,741,679	93,741,679	93,741,679	-
Fund Balance - Ending	$ 82,154,388	$ 68,918,548	$ 84,247,764	$ 15,329,216

[1] Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects 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.

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	$ 1,743,907	$ 1,533,935	$ 1,537,877	$ 2,087,129
Interest	2,035,941	1,926,302	1,781,974	1,009,185
Changes of benefit terms	-	-	-	1,377,516
Difference between expected and actual experience	-	1,967,371	-	(2,316,822)
Changes of assumptions	(2,407,908)	(2,441,969)	975,134	(3,217,557)
Benefit payments	(1,563,150)	(1,394,184)	(1,046,210)	(1,185,975)
Net change in total OPEB liability	(191,210)	1,591,455	3,248,775	(2,246,524)
Total OPEB Liability - Beginning	47,389,263	45,797,808	42,549,033	44,795,557
Total OPEB Liability - Ending	$ 47,198,053	$ 47,389,263	$ 45,797,808	$ 42,549,033
Covered Payroll	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]
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 1,641,163	$ 1,046,651	$ 1,153,917	$ 1,735,231
Interest	1,128,612	1,353,059	1,365,648	1,345,234
Changes of benefit terms	(327,423)	-	-	-
Difference between expected and actual experience	-	(5,709,955)	-	-
Changes of assumptions	1,708,001	(2,148,355)	763,813	592,155
Benefit payments	(619,860)	(574,005)	(572,147)	(358,110)
Net change in total OPEB liability	3,530,493	(6,032,605)	2,711,231	3,314,510
Total OPEB Liability - Beginning	41,265,064	47,297,669	44,586,438	41,271,928
Total OPEB Liability - Ending	$ 44,795,557	$ 41,265,064	$ 47,297,669	$ 44,586,438
Covered Payroll	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]
Measurement Date	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.

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.1170%	0.1261%	0.1311%	0.1227%
Proportionate share of the net OPEB liability	$ 311,805	$ 382,694	$ 431,880	$ 489,346
Covered payroll	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]
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1363%	0.1382%	0.1469%	0.1498%
Proportionate share of the net OPEB liability	$ 577,718	$ 514,798	$ 562,292	$ 630,165
Covered payroll	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]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	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.

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.0802%	0.0853%	0.0874%	0.0816%	0.0782%
Proportionate share of the net pension liability	$ 53,856,749	$ 64,939,715	$ 60,701,673	$ 37,142,639	$ 75,818,045
State's proportionate share of the net pension liability	24,709,662	31,114,443	30,399,160	18,688,735	39,084,211
Total	$ 78,566,411	$ 96,054,158	$ 91,100,833	$ 55,831,374	$ 114,902,256
Covered payroll	$ 54,617,969	$ 52,873,796	$ 49,352,447	$ 44,480,173	$ 42,596,322
Proportionate share of the net pension liability as a percentage of its covered payroll	98.61%	122.82%	123.00%	83.50%	177.99%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.0781%	0.0818%	0.0827%	0.0869%	0.0809%
Proportionate share of the net pension liability	$ 70,577,261	$ 75,220,219	$ 76,513,897	$ 70,303,239	$ 54,433,028
State's proportionate share of the net pension liability	38,504,608	43,067,094	45,264,975	40,022,380	28,789,071
Total	$ 109,081,869	$ 118,287,313	$ 121,778,872	$ 110,325,619	$ 83,222,099
Covered payroll	$ 43,678,741	$ 43,756,847	$ 43,075,278	$ 41,761,957	$ 38,859,764
Proportionate share of the net pension liability as a percentage of its covered payroll	161.58%	171.91%	177.63%	168.34%	140.08%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

CalPERS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.0995%	0.1005%	0.1039%	0.1004%	0.0938%
Proportionate share of the net pension liability	$ 35,546,444	$ 36,381,508	$ 35,764,484	$ 20,419,771	$ 28,781,849
Covered payroll	$ 19,670,581	$ 17,758,687	$ 15,939,625	$ 14,768,454	$ 13,543,482
Proportionate share of the net pension liability as a percentage of its covered payroll	180.71%	204.87%	224.37%	138.27%	212.51%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.0944%	0.1014%	0.1066%	0.1048%	0.1014%
Proportionate share of the net pension liability	$ 27,509,668	$ 27,027,247	$ 25,445,059	$ 20,690,152	$ 14,953,642
Covered payroll	$ 12,783,136	$ 14,429,959	$ 13,095,565	$ 12,439,056	$ 11,238,977
Proportionate share of the net pension liability as a percentage of its covered payroll	215.20%	187.30%	194.30%	166.33%	133.05%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

CalSTRS	2025	2024	2023	2022	2021
Contractually required contribution	$ 11,119,332	$ 10,432,032	$ 10,098,895	$ 8,350,434	$ 7,183,548
Less contributions in relation to the contractually required contribution	11,119,332	10,432,032	10,098,895	8,350,434	7,183,548
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 58,216,398	$ 54,617,969	$ 52,873,796	$ 49,352,447	$ 44,480,173
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 7,283,971	$ 7,110,899	$ 6,314,113	$ 5,418,870	$ 4,481,058
Less contributions in relation to the contractually required contribution	7,283,971	7,110,899	6,314,113	5,418,870	4,481,058
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 42,596,322	$ 43,678,741	$ 43,756,847	$ 43,075,278	$ 41,761,957
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%

CalPERS	2025	2024	2023	2022	2021
Contractually required contribution	$ 5,453,562	$ 5,248,111	$ 4,505,379	$ 3,651,768	$ 3,057,070
Less contributions in relation to the contractually required contribution	5,453,562	5,248,111	4,505,379	3,651,768	3,057,070
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 20,161,043	$ 19,670,581	$ 17,758,687	$ 15,939,625	$ 14,768,454
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%	20.700%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 2,670,910	$ 2,308,890	$ 2,241,117	$ 1,818,712	$ 1,473,655
Less contributions in relation to the contractually required contribution	2,670,910	2,308,890	2,241,117	1,818,712	1,473,655
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 13,543,482	$ 12,783,136	$ 14,429,959	$ 13,095,565	$ 12,439,056
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* - The OPEB discount rate assumption was changed from 4.21% to 4.81% 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 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% 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.

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

Supplementary Information
June 30, 2025

Hawthorne School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Education Stabilization Fund			
COVID-19 American Rescue Plan – Homeless Children and Youth II (ARP HCY II)	84.425W	15566	$ 54,616
COVID-19 ESSER III State Reserve Summer Learning Programs	84.425U	15652	120,000
Subtotal			174,616
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	3,045,710
Title III, English Learner Student Program	84.365	14346	265,230
Title II, Part A, Supporting Effective Instruction	84.367	14341	408,584
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	347,696
Passed through Southwest SELPA			
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,256,174
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	82,606
Local Assistance, Part B, Sec 611, Private School Individual Service Plans	84.027	10115	8,353
Preschool Grants, Part B, Sec 619	84.173	13430	119,553
Subtotal Special Education Cluster (IDEA)			1,466,686
Total U.S. Department of Education			5,708,522
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
School Lunch - Section 4	10.555	13523	456,240
School Lunch - Section 11	10.555	13524	2,777,270
School Programs (School Breakfast Needy)	10.553	13526	1,751,637
Meal Supplements in National School Lunch Program	10.555	13755	243,718
National School Lunch Program - Commodity Supplemental Food	10.555	13391	516,640
Subtotal Child Nutrition Cluster			5,745,505
Total U.S. Department of Agriculture			5,745,505

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through Los Angeles County Department of Public Health			
COVID-19: Public Health Crisis Response Awards - School COVID Prevention Partnership	93.354	[1]	$ 45,376
Passed through Heluna Health			
COVID-19: Public Health Crisis Response Awards - California Children and Youth Behavioral Health Initiative (CYBHI)	93.354	1040.0101	349,243
Subtotal			394,619
Total U.S. Department of Health and Human Services			394,619
Total Federal Financial Assistance			$ 11,848,646

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

	Final Report	
	Second Period Report* 971AC5E3	Annual Report 34AF709
Regular ADA		
Transitional kindergarten through third	2,663.40	2,661.73
Fourth through sixth	1,942.30	1,936.74
Seventh and eighth	1,303.71	1,298.36
Total Regular ADA	5,909.41	5,896.83
Extended Year Special Education		
Transitional kindergarten through third	3.24	3.24
Fourth through sixth	1.36	1.36
Seventh and eighth	0.49	0.49
Total Extended Year Special Education	5.09	5.09
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	2.00	2.51
Seventh and eighth	0.88	1.01
Total Special Education, Nonpublic, Nonsectarian Schools	2.88	3.52
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.06	0.06
Total ADA	5,917.44	5,905.50

Hawthorne Mathematics, Science and Technology Charter School

	Final Report	
	Second Period Report* E25BDEC	Annual Report 13FF863B
Classroom based ADA		
Ninth through twelfth	539.29	535.73
Non Classroom based ADA		
Ninth through twelfth	1.63	2.28
Total Charter School ADA	540.92	538.01

*The District and Charter School's P-2 attendance reports were revised on June 26, 2025.

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar: Number of Actual Days	Traditional Calendar: Number of Days Credited Form J-13A	Traditional Calendar: Total Days Offered	Multitrack Calendar: Number of Actual Days	Multitrack Calendar: Number of Days Credited Form J-13A	Multitrack Calendar: Total Days Offered	Status
Kindergarten	36,000	52,320	-	52,320	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400										
Grade 1		52,290	-	52,290	180	-	180	N/A	N/A	N/A	Complied
Grade 2		52,290	-	52,290	180	-	180	N/A	N/A	N/A	Complied
Grade 3		52,290	-	52,290	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000										
Grade 4		56,010	-	56,010	180	-	180	N/A	N/A	N/A	Complied
Grade 5		56,010	-	56,010	180	-	180	N/A	N/A	N/A	Complied
Grade 6		59,834	-	59,834	180	-	180	N/A	N/A	N/A	Complied
Grade 7		59,834	-	59,834	180	-	180	N/A	N/A	N/A	Complied
Grade 8		59,834	-	59,834	180	-	180	N/A	N/A	N/A	Complied

Hawthorne Mathematics, Science and Technology Charter School

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar: Number of Actual Days	Traditional Calendar: Number of Days Credited Form J-13A	Traditional Calendar: Total Days Offered	Multitrack Calendar: Number of Actual Days	Multitrack Calendar: Number of Days Credited Form J-13A	Multitrack Calendar: Total Days Offered	Status
Grades 9 - 12	64,800										
Grade 9		64,930	-	64,930	180	-	180	N/A	N/A	N/A	Complied
Grade 10		64,930	-	64,930	180	-	180	N/A	N/A	N/A	Complied
Grade 11		64,930	-	64,930	180	-	180	N/A	N/A	N/A	Complied
Grade 12		64,930	-	64,930	180	-	180	N/A	N/A	N/A	Complied

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Charter Schools Fund
Fund Balance	
Balance, June 30, 2025, Unaudited Actuals	$ 6,836,719
Increase in	
Other assets	867,200
Balance, June 30, 2025, Audited Financial Statements	$ 7,703,919

	(Budget) 2026 [1]	2025	2024 [1, 5]	2023 [1, 5]
General Fund [2]				
Revenues	$ 134,616,176	$ 143,059,409	$ 151,851,470	$ 167,409,462
Other sources	567,682	622,147	567,806	565,681
Total revenues and other sources	135,183,858	143,681,556	152,419,276	167,975,143
Expenditures	153,038,525	148,454,662	136,009,092	139,028,526
Other uses	319,938	4,722,279	320,533	319,938
Total expenditures and other uses	153,358,463	153,176,941	136,329,625	139,348,464
Increase (decrease) in Fund Balance	(18,174,605)	(9,495,385)	16,089,651	28,626,679
Ending Fund Balance	$ 66,043,693	$ 84,218,298	$ 93,713,683	$ 77,624,032
Available Reserves [3]	$ 4,682,004	$ 4,593,609	$ 4,089,889	$ 4,180,454
Available Reserves as a Percentage of Total Outgo [3]	3.05%	3.00%	3.00%	3.00%
Long-Term Liabilities	N/A	$ 242,076,410	$ 251,429,873	$ 246,858,700
K-12 Average Daily Attendance at P-2 [4]	5,798	5,917	6,008	5,986

The General Fund balance has increased by $6,594,266 over the past two years. The fiscal year 2025-2026 budget projects a decrease of $18,174,605 (21.58%). 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 two of the past three years, but anticipates incurring an operating deficit during the 2025-2026 fiscal year. Total long-term liabilities have decreased by $4,782,290 over the past two years.

Average daily attendance has decreased by 69 over the past two years. A decrease of 119 ADA is anticipated during fiscal year 2025-2026.

[1] Financial information for 2026, 2024, and 2023 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.
[4] Excludes Charter School ADA.
[5] Amounts have not been restated for the effects of the implementation of GASB Statement No. 101.

Name of Charter School	Charter Number	Included in Audit Report
Hawthorne Mathematics, Science and Technology Academy	0523	Yes

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
Assets						
Deposits and investments	$ 173,334	$ 8,055,960	$ 1,094,136	$ 3,378,403	$ 8,625,812	$ 1,298,790
Receivables	-	121,973	33,956	1,913,800	73,463	12,054
Stores inventories	-	-	-	106,146	-	-
Other current assets	-	867,200	-	-	-	-
Total assets	$ 173,334	$ 9,045,133	$ 1,128,092	$ 5,398,349	$ 8,699,275	$ 1,310,844
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 16,571	$ 1,341,214	$ 34,841	$ 540,109	$ -	$ -
Unearned revenue	-	-	1,019,663	45,740	-	-
Total liabilities	16,571	1,341,214	1,054,504	585,849	-	-
Fund Balances						
Nonspendable	-	867,200	-	106,946	-	-
Restricted	156,763	1,916,894	73,588	4,705,554	8,699,275	1,310,844
Assigned	-	4,919,825	-	-	-	-
Total fund balances	156,763	7,703,919	73,588	4,812,500	8,699,275	1,310,844
Total liabilities and fund balances	$ 173,334	$ 9,045,133	$ 1,128,092	$ 5,398,349	$ 8,699,275	$ 1,310,844

	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	$ 8,573	$ 1,421	$ 4,638,601	$ 188,154	$ 27,463,184
Receivables	80	13	-	1,754	2,157,093
Stores inventories	-	-	-	-	106,146
Other current assets	-	-	-	-	867,200
Total assets	$ 8,653	$ 1,434	$ 4,638,601	$ 189,908	$ 30,593,623
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ -	$ -	$ -	$ -	$ 1,932,735
Unearned revenue	-	-	-	-	1,065,403
Total liabilities	-	-	-	-	2,998,138
Fund Balances					
Nonspendable	-	-	-	-	974,146
Restricted	8,653	-	4,638,601	189,908	21,700,080
Assigned	-	1,434	-	-	4,921,259
Total fund balances	8,653	1,434	4,638,601	189,908	27,595,485
Total liabilities and fund balances	$ 8,653	$ 1,434	$ 4,638,601	$ 189,908	$ 30,593,623

	Student Activity Fund	Charter Schools Fund	Child Development Fund	Cafeteria Fund
Revenues				
Local Control Funding Formula (LCFF)	$ -	$ 8,858,556	$ -	$ -
Federal sources	-	-	-	5,745,505
Other state sources	-	984,028	1,052,712	2,598,919
Other local sources	77,412	194,502	73,587	334,315
Total revenues	77,412	10,037,086	1,126,299	8,678,739
Expenditures				
Current				
Instruction	-	6,065,308	691,141	-
Instruction-related activities				
Supervision of instruction	-	33,380	110,265	-
Instructional library, media, and technology	-	136,585	-	-
School site administration	-	713,631	251,305	-
Pupil services				
Food services	-	-	-	8,820,003
All other pupil services	-	758,779	-	-
Administration				
All other administration	-	298,207	-	295,339
Plant services	-	675,195	-	4,290
Ancillary services	111,495	99,905	-	-
Enterprise services	-	-	-	53,469
Facility acquisition and construction	-	313,858	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	111,495	9,094,848	1,052,711	9,173,101
Excess (Deficiency) of Revenues over Expenditures	(34,083)	942,238	73,588	(494,362)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(565,556)	-	-
Net Financing Sources (Uses)	-	(565,556)	-	-
Net Change in Fund Balances	(34,083)	376,682	73,588	(494,362)
Fund Balance - Beginning	190,846	7,327,237	-	5,306,862
Fund Balance - Ending	$ 156,763	$ 7,703,919	$ 73,588	$ 4,812,500

	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects
Revenues				
Local Control Funding Formula (LCFF)	$ -	$ -	$ -	$ -
Federal sources	-	-	-	-
Other state sources	-	-	-	-
Other local sources	1,032,956	78,672	433	72
Total revenues	1,032,956	78,672	433	72
Expenditures				
Current				
Instruction	-	-	-	-
Instruction-related activities				
Supervision of instruction	-	-	-	-
Instructional library, media, and technology	-	-	-	-
School site administration	-	-	-	-
Pupil services				
Food services	-	-	-	-
All other pupil services	-	-	-	-
Administration				
All other administration	-	-	-	-
Plant services	-	-	-	-
Ancillary services	-	-	-	-
Enterprise services	-	-	-	-
Facility acquisition and construction	19,465	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	19,465	-	-	-
Excess (Deficiency) of Revenues over Expenditures	1,013,491	78,672	433	72
Other Financing Sources (Uses)				
Transfers in	4,722,279	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	4,722,279	-	-	-
Net Change in Fund Balances	5,735,770	78,672	433	72
Fund Balance - Beginning	2,963,505	1,232,172	8,220	1,362
Fund Balance - Ending	$ 8,699,275	$ 1,310,844	$ 8,653	$ 1,434

	Bond Interest and Redemption Fund	Foundation Permanent Fund	Total Non-Major Governmental Funds
Revenues			
Local Control Funding Formula (LCFF)	$ -	$ -	$ 8,858,556
Federal sources	-	-	5,745,505
Other state sources	13,509	-	4,649,168
Other local sources	5,758,518	9,571	7,560,038
Total revenues	5,772,027	9,571	26,813,267
Expenditures			
Current			
Instruction	-	-	6,756,449
Instruction-related activities			
Supervision of instruction	-	-	143,645
Instructional library, media, and technology	-	-	136,585
School site administration	-	-	964,936
Pupil services			
Food services	-	-	8,820,003
All other pupil services	-	-	758,779
Administration			
All other administration	-	-	593,546
Plant services	-	-	679,485
Ancillary services	-	1,204	212,604
Enterprise services	-	-	53,469
Facility acquisition and construction	-	-	333,323
Debt service			
Principal	3,680,000	-	3,680,000
Interest and other	2,258,358	-	2,258,358
Total expenditures	5,938,358	1,204	25,391,182
Excess (Deficiency) of Revenues over Expenditures	(166,331)	8,367	1,422,085
Other Financing Sources (Uses)			
Transfers in	-	-	4,722,279
Transfers out	-	-	(565,556)
Net Financing Sources (Uses)	-	-	4,156,723
Net Change in Fund Balances	(166,331)	8,367	5,578,808
Fund Balance - Beginning	4,804,932	181,541	22,016,677
Fund Balance - Ending	$ 4,638,601	$ 189,908	$ 27,595,485

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, 2025. 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, changes in net position or fund balance of 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, 2025, the District did not report any commodities inventory.

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. 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.

Other Information
June 30, 2025

Hawthorne School District

Organization

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

Governing Board

MEMBER	OFFICE	TERM EXPIRES
Dr. Eugene M. Krank	President	2026
Mrs. Christina Chiappe	Vice President	2028
Mr. Sergio R. Mortara	Clerk	2026
Mr. Luciano A. Aguilar	Member	2026
Mr. Vicente Bravo	Member	2028

Administration

NAME	TITLE
Dr. Brian Markarian	Superintendent
Mrs. Mara Pagniano	Associate Superintendent, Business Services
Dr. Erika Ayala	Assistant Superintendent, Educational Services
Mr. Matthew Rohrer	Assistant Superintendent, Human Resources

Independent Auditor’s Reports
June 30, 2025

Hawthorne School District

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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*

To the 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 (*Government Auditing Standards)*, 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, 2025, 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 16, 2025.

Adoption of New Accounting Standard

As discussed in Notes 1 and 16 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 were not 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.

Rancho Cucamonga, California
December 16, 2025

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

To the Governing Board
Hawthorne School District
Hawthorne, California

Report on Compliance for the Major Federal Program

Opinion on the 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 the District's major federal program for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hawthorne School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the 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 the 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.

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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 the 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.

Rancho Cucamonga, California
December 16, 2025

Independent Auditor's Report on State Compliance and on Internal Control over Compliance

To the 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 *2024-2025 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, 2025.

In our opinion, Hawthorne School 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, 2025.

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 (*Government Auditing Standards)*, and the *2024-2025 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.

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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 *2024-2025 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 *2024-2025 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 *2024-2025 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:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No, see below
Continuation Education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not applicable
GANN Limit Calculation	Yes

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable
Middle or Early College High Schools	Not applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
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	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not applicable
Career Technical Education Incentive Grant	Not applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

We did not perform testing for Independent Study because average daily attendance reported did not exceed thresholds for testing.

The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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 *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California
December 16, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

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 program:	
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 program	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 program

Name of Federal Program or Cluster	Federal Financial Assistance Listing
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
Other matters to be reported	No
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.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Hawthorne School District (the "District") in connection with the issuance of $_________ of the District's Election of 2018 General Obligation Bonds, Series C and (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Trustees of the District, each dated June 24, 2026 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially BLX Group, LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Financial Obligation" means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"Official Statement" means that certain official statement, dated ________, 2026, relating to the offering and sale of the Bonds.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2025-26 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) State funding received by the District for the last completed fiscal year;

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(e) assessed valuation of taxable property within the District for the current fiscal year; and

(f) secured *ad valorem* property tax levy collections and delinquencies within the District for the last completed fiscal year, except to the extent the Teeter Plan, if adopted by Los Angeles County, applies to both the 1% general purpose *ad valorem* property tax levy and to the tax levy for general obligation bonds of the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

10. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any

of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled Bond calls.

4. unless described under Section 5(a)(5) above material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

8. Incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _______, 2026

HAWTHORNE SCHOOL DISTRICT

By: ____
Mara Pagniano
Associate Superintendent, Business Services

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: HAWTHORNE SCHOOL DISTRICT

Name of Bond Issue: Election of 2018 General Obligation Bonds, Series C
Date of Issuance: ______, 2026

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

HAWTHORNE SCHOOL DISTRICT

By _______[form only; no signature required]__________

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF HAWTHORNE AND LOS ANGELES COUNTY

The following information regarding the City of Hawthorne (the "City"), and Los Angeles County (the "County") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.

General

City of Hawthorne. The City of Hawthorne (the "City") was incorporated in 1922 and encompasses 6 square miles. The City is located in the South Bay region of Los Angeles County and is 17 miles east of downtown Los Angeles and 5 miles east of Los Angeles International Airport. Surrounding communities include Gardena, Lawndale and Redondo Beach.

The City is a general law city that operates under the Council-Manager form of government. The City Council is composed of five members, with a mayor elected every four years and four elected city council members each serving a term of four years. The Mayor serves as the presiding officer of the City Council.

Los Angeles County. Established by an act of the State Legislature on February 18, 1850, Los Angeles is one of the original 27 counties of California. With 4,083 square miles, the county borders 70 miles of coast on the Pacific Ocean. By population it is the largest of any county in the country, home to 88 incorporated Cities and many unincorporated areas, and hosting over 10 million residents. Its 2017 Gross Domestic Product of $670 billion made Los Angeles County's economy larger than that of 44 states and all but 21 countries. In between the large desert portions of the county — which make up around 40% of its land area — and the heavily urbanized central and southern portions, sit the San Gabriel Mountains, containing the Angeles National Forest. Los Angeles is a charter county governed by a five-member elected Board of Supervisors whose members serve staggered four-year terms.

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Population

The following table shows historical population figures for the City, the County, and the State for the past 10 years.

POPULATION ESTIMATES
2017 through 2026
City of Hawthorne, Los Angeles County and the State of California

Year[(1)]	City of Hawthorne	Los Angeles County	State of California
2017	88,429	10,107,312	39,273,915
2018	88,307	10,107,841	39,429,439
2019	88,065	10,067,476	39,503,656
2020[(2)]	87,991	10,014,009	39,538,223
2021	87,634	9,967,533	39,380,058
2022	86,572	9,861,671	39,159,480
2023	86,308	9,864,220	39,167,274
2024	86,160	9,882,296	39,446,835
2025	85,865	9,900,914	39,646,907
2026	85,515	9,837,286	39,592,978

(1) As of January 1.
(2) U.S. Department of Commerce, Bureau of the Census, for April 1.
Source: California Department of Finance.

Personal Income

The following table summarizes per capita personal income for the County, the State and the United States from 2015 to 2024.

PER CAPITA PERSONAL INCOME
Los Angeles County, State of California, and United States
2015 through 2024

Year	Los Angeles County	State of California	United States
2015	$53,061	$53,816	$48,062
2016	54,742	55,862	48,974
2017	56,627	58,214	51,006
2018	58,994	60,984	53,311
2019	62,591	64,219	55,567
2020	67,889	70,100	59,151
2021	73,575	77,134	64,692
2022	74,714	77,196	66,298
2023	78,745	81,196	70,002
2024	83,888	86,232	73,204

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2021 through 2025 for the City, the County and the State.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
2021 through 2025
City of Hawthorne, Los Angeles County and the State of California

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (%)
2021	City of Hawthorne	44,700	40,100	4,600	10.3
	Los Angeles County	5,019,900	4,569,800	450,100	9.0
	State of California	19,013,800	17,619,300	1,394,500	7.3
2022	City of Hawthorne	43,900	41,700	2,200	5.0
	Los Angeles County	5,036,800	4,786,000	250,800	5.0
	State of California	19,267,400	18,441,400	826,100	4.3
2023	City of Hawthorne	43,700	41,600	2,100	4.9
	Los Angeles County	5,064,700	4,808,300	256,500	5.1
	State of California	19,514,600	18,593,600	921,000	4.7
2024	City of Hawthorne	43,800	41,400	2,500	5.6
	Los Angeles County	5,106,400	4,812,400	294,000	5.8
	State of California	19,692,800	18,650,700	1,042,200	5.3
2025	City of Hawthorne	43,790	41,372	2,472	5.6
	Los Angeles County	5,098,800	4,810,600	288,200	5.6
	State of California	19,823,800	18,738,500	1,085,300	5.5

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2025.

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Industry

The County is included in the Los Angeles-Long Beach-Glendale Metropolitan Division (the "Metropolitan Division"). The distribution of employment in the Metropolitan Division is presented in the following table for the last five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2021 through 2025
Los Angeles-Long Beach-Glendale Metropolitan Division

	2021	2022	2023	2024	2025
Total Farm	4,600	4,800	4,700	4,700	4,200
Mining, Logging and Construction	150,700	153,000	152,900	153,300	148,200
Manufacturing	313,100	321,700	318,400	312,600	303,300
Wholesale Trade	202,600	204,400	200,100	194,800	189,200
Retail Trade	396,100	405,500	404,800	398,800	393,600
Transportation, Warehousing and Utilities	215,200	223,600	217,900	218,500	216,500
Information	208,800	234,900	193,100	189,600	177,000
Financial Activities	213,200	215,700	210,500	207,700	203,400
Professional and Business Services	631,300	667,400	657,200	657,400	660,200
Private Education and Health Services	843,900	870,600	919,000	967,000	1,007,100
Leisure and Hospitality	434,200	512,400	534,100	537,500	533,100
Other Services	135,700	153,000	157,400	159,000	158,000
Government	560,200	570,000	583,100	601,700	603,200
Total All Industries	4,309,700	4,536,900	4,553,200	4,602,500	4,596,900

Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment, March 2025 Benchmark.

Largest Employers

The following tables list the 10 largest employers in the City.

LARGEST EMPLOYERS
2025
City of Hawthorne

Employer Name	Employees
SpaceX - Space Exploration Technologies	7,761
Hawthorne School District(1)	1,063
Wiseburn Unified School District	530
Amazon Fulfillment Center (includes Ring HQ)	299
OSI Systems Inc	275
The Home Depot	257
Teledyne Relays	254
City of Hawthorne	253
South Bay Ford	174
Hawthorne Healthcare and Wellness Center	158

(1) For updated information regarding the District's employees, see "HAWTHORNE SCHOOL DISTRICT– Labor Relations" in the front part of this Official Statement.
Source: City of Hawthorne Annual Comprehensive Financial Report' For Year Ended June 30, 2025.

The following tables lists the estimated largest governmental and non-governmental employers in the County.

LARGEST GOVERNMENTAL EMPLOYERS
Los Angeles County
2025

Employer	Employees
Los Angeles County	117,000[1]
Los Angeles Unified School District	78,874
University of California, Los Angeles	57,411
City of Los Angeles[2]	34,320
Los Angeles Department of Water and Power	12,000
Long Beach Unified School District	10,000
Los Angeles Community College District	10,000
City of Long Beach	5,581
Los Angeles County Metropolitan Transportation Authority	5,000
California State University, Northridge	4,807
California State University, Long Beach	4,458
Pomona Unified School District	4,000
Los Angeles World Airports	3,500
Cal Poly Pamona	2,710
California State University, Dominguez Hills	2,700
California State University, Los Angeles	2,575
Glendale Unified School District	2,200
City of Santa Monica	2,000
City of Pasadena	2,000
Montebello Unified School District	1,900
Santa Monica Community College District	1,800
Antelope Valley Union High School District	1,200
Conejo Valley Unified School District	1,100
Port of Los Angeles	1,009
Mt. San Antonio Community College District	1,000[1]

(l) Los Angeles Business Journal estimate.
(2) Excludes proprietary departments (LADWP, LAWA, Port of L.A.).
Source: Los Angeles Business Journal, Weekly Lists, originally published August 25, 2025.

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LARGEST GOVERNMENTAL EMPLOYERS
Los Angeles County[(1)]
2025

Employer	Employees
Kaiser Permanente Southern California	47,897
University of Southern California	25,741
Cedars-Sinai	18,087
Northrop Grumman Corp.	16,600[(1)]
The Walt Disney Co.	13,400
NBCUniversal	13,000[(1)]
UPS	12,000[(1)]
Providence	11,500[(1)]
Home Depot	11,000[(1)]
Target Corp.	11,000[(1)]
The Boeing Co.	10,700
Albertsons Cos.	10,000[(1)]
California Institute of Technology	8,396
AT&T Inc.	8,000[(1)]
Amazon	7,000[(1)]
Allied Universal	6,800[(1)]
City of Hope	6,700[(1)]
Ralphs	5,600
SpaceX	5,600
Bank of America Corp.	5,530
Children's Hospital Los Angeles	5,305
Costco Wholesale	5,300[(1)]
Capital Group	4,600
Antelope Valley Medical Center	2,800
Deloitte LLP and subsidiaries	2,610

(l) Los Angeles Business Journal estimate.
Source: Los Angeles Business Journal, Weekly Lists, originally published August 25, 2025.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2021 through 2025 are shown in the following tables.

ANNUAL TAXABLE SALES
2021 through 2025
City of Hawthorne
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2021	1,326	$1,411,263	2,165	$1,708,086
2022	1,316	1,600,947	2,145	2,072,791
2023	1,203	1,513,349	1,985	1,941,231
2024	1,191	1,413,889	1,981	1,783,711
2025	1,183	1,432,967	1,980	1,800,184

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

ANNUAL TAXABLE SALES
2021 through 2025
Los Angeles County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2021	208,412	$139,000,373	349,061	$192,524,203
2022	210,441	150,622,624	354,092	213,716,609
2023	202,366	146,164,088	342,582	208,502,835
2024	202,854	141,136,404	344,742	202,317,677
2025	201,604	143,259,150	346,870	204,460,033

Source: Taxable Sales in California, California Department of Tax and Fee Administration.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the City and the County are shown in the tables below and on the following page.

BUILDING PERMITS AND VALUATIONS
2020 through 2024
City of Hawthorne
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation					
Residential	$9,393	$5,979	$7,721	$7,156	$3,239
Non-Residential	14,344	90	101	129	57
Total	$23,737	$6,069	$7,822	$7,285	$3,296
Units					
Single-Family	8	8	12	18	10
Multi Family	0	0	0	0	0
Total	8	8	12	18	10

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

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BUILDING PERMITS AND VALUATIONS
2020 through 2024
Los Angeles County
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation					
Residential	$5,678,400	$6,020,503	$7,126,963	$6,115,358	$5,989,659
Non-Residential	3,513,049	1,863,348	4,184,086	4,162,852	4,202,224
Total	$9,191,449	$7,883,851	$11,311,049	$10,278,210	$10,191,883
Units					
Single-Family	6,198	7,327	8,301	7,332	7,405
Multiple Family	14,056	16,718	18,912	13,573	9,260
Total	20,254	24,045	27,213	20,905	16,665

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

APPENDIX E

LOS ANGELES COUNTY TREASURY POOL

The following information concerning the Los Angeles County (the "County") Treasury Pool (the "Treasury Pool") has been provided by the Treasurer-Tax Collector (the "Treasurer"), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. Neither the District, the Municipal Advisor nor the Underwriter has made an independent investigation of the investments in the Treasury Pool nor any assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Municipal Advisor nor the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: https://ttc.lacounty.gov/. *However, the information presented on such website is not incorporated into this Official Statement by any reference.*

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THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (Treasury Pool). As of July 31, 2026, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$20.977
Schools and Community Colleges	27.571
Discretionary Participants	3.259
Total	$51.807

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	93.71%
Discretionary Participants:	
Independent Public Agencies	6.16%
County Bond Proceeds and Repayment Funds	0.13%
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on May 12, 2026, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Report of Investments dated August 31, 2026, the July 31, 2026, book value of the Treasury Pool was approximately $51.807 billion, and the corresponding market value was approximately $50.548 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor’s staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County’s outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of July 31, 2026:

Type of Investment	**% of Pool**
Certificates of Deposit	4.83
U.S. Government and Agency Obligations	62.28
Bank Acceptances	0.00
Commercial Paper	32.82
Municipal Obligations	0.07
Corporate Notes & Deposit Notes	0.00
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of July 31, 2026, approximately 42.81% of the investments mature within 60 days, with an average of 359 days to maturity for the entire portfolio.

HAWTHORNE SCHOOL DISTRICT (LOS ANGELES COUNTY, CALIFORNIA) • ELECTION OF 2018 GENERAL OBLIGATION BONDS, SERIES C

Mixed Sources
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